



Executive Summary

of Investment Performance

Prepared for:
California Public Employees' Retirement System

California Affiliate

- **Judges II**
- **Long Term Care**
- **Volunteer Firefighters**

California Legislators' Fund

Annuitants Healthcare Plan

California Supplemental Income Plans

Second Quarter 2008

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Capital Market Review	3
Summary of all Plans	6
PERF	7
California Affiliate	24
California Legislators'	31
Annuitants Health Care Plan	36
California Supplemental Income Plans	38
Appendix for PERF	45



Capital Market Overview

After the horrors of the first calendar quarter of 2008 for global investors, the second calendar quarter of 2008 began with hopes that the credit crisis in the US would ease along with commodity prices. A mood of cautious optimism was supported by news that the US had not entered into a formal recession in the first quarter; Gross Domestic Product had actually grown at an anemically-weak, but still positive, 1.0% annual rate (restated upward). That optimism dissolved by mid-May in the face of continued turmoil in the financial industry, a real estate market that has yet to show signs of reaching a bottom, a seemingly endless run-up in oil prices, and a dramatic jump in the unemployment rate. Consumer inflation, as measured by the Consumer Price Index—All Urban Consumers, jumped 2.48% in the second quarter, the steepest increase in many years. As the markets digested the reality of a serious slowdown in the consumer-driven US economy, a surprising bright spot was the strengthening of the battered US dollar against international currencies, especially the yen. The Federal Reserve Board met twice during the quarter, lowering the Fed Funds overnight rate 25 basis points to 2.0% on April 30 but refraining from additional movement at the June 25 meeting. The ongoing credit crunch drove many investors to the safety of cash, pushing stock and bond prices broadly lower worldwide, with Canada, Brazil and Japan among the few winners in a quarter full of markets losing ground.

U.S. Equity Market

US-based stock investors could take a small amount of comfort in the fact that things could have been worse in the second quarter; they could have experienced another market rout like the first quarter of 2008. The gains seen in April and early May ameliorated the precipitous drops of the rest of the quarter. The Standard & Poor 500 returned -2.72% during the quarter, underperforming the Dow Jones Wilshire 5000 (-1.55%). The market rewarded liquid small-cap securities (DJW US Small Cap, 0.32%) with flatly-positive performance relative to the stocks of larger companies (DJW US Large Cap, -1.76%) and micro-cap issues (DJW US Micro Cap, -2.49%). Given the depressed prices of the stocks of financial companies and consumer goods producers, it is unsurprising that value-oriented stocks took a beating relative to growth-oriented stocks (DJW US Large Growth, 2.65%, DJW US Large Value, -6.59%; DJW US Small Growth, 5.06%, DJW US Small Value, -4.49%). Turning to sector performance of the S&P 500 index (Wilshire classification), the pattern established in prior quarters has continued to hold: Energy- and commodities-related stocks performed best while financial and consumer good-related stocks fell. The Energy sector of the S&P 500 again returned very strong performance (16.58%), followed by Materials & Services (4.51%) and Utilities (2.46%) issues. Finance stocks took another quarter on the chin (-18.08%), with Capital Goods (-15.64%) and Consumer Durables (-14.28%) not far behind. Real estate-related securities, reflecting the deflation of the US real estate bubble, took a hit over the quarter (DJW US Real Estate Securities, -5.41%).



Fixed Income Market

The dramatic spike in consumer inflation overwhelmed cautious recovery in the US credit markets in the second quarter of 2008. Although certain sectors saw tighter spreads relative to Treasuries, especially in the first half of the quarter, the overall mood darkened in the face of weak earnings and continued write-downs of defaulted loans by financial companies, as well as the resultant pressure on bond insurers to protect the paper of at-risk issuers like General Motors and Ford Motor Company. It is no wonder that Treasury bond yields rose in such a gloomy market environment; the yield on two-year Treasuries jumped 98 basis points to 2.60%, while the yield of thirty-year paper moved up 23 b.p. to 4.52%. Short-maturity paper unsurprisingly outperformed longer-maturity bonds (Lehman 1-3 Year Treasury, -0.96%; Lehman Long Treasury, -2.23%). The non-Finance sectors of the bond markets managed to regain some footing relative to Treasuries, tightening spreads and enhancing relative performance (Lehman Credit, -0.90%; Lehman Government, -1.91%). Agency mortgage-backed securities, despite the serious difficulties facing Fannie Mae and Freddie Mac themselves, managed to outperform the other broad investment-grade sectors (Lehman Mortgage, -0.49%; Lehman Aggregate, -1.02%). Interestingly, the high-yield bond sector was a relatively good performer during the second quarter, as investors snapped up the new bond issuance of companies with below-investment-grade ratings (Lehman US High Yield, 1.75%).

Non-U.S. Markets

Global stock and bond markets fell victim in the second quarter of 2008 to the same pressures plaguing US markets: High commodity prices, uncertain economic conditions, depressed consumer spending. The US dollar, however, seemed to regain its footing relative to world currencies, at least temporarily, as the US Fed made clear its heightened attention to inflation and its willingness to raise rates as necessary. As a result, US-based investors saw the performance of their non-US holdings decreased over the quarter. European stocks fell as investors faced the possibility of the US slowdown spreading globally (MSCI Europe, net dividends, -3.55% local currency, -4.15% US dollar). Pacific region stocks outperformed European issues; Japan's low inflation rate helped propel its stock markets to positive results overall (MSCI Pacific net, 5.38% local, 2.15% USD). Emerging market stocks, buoyed by commodity-rich Latin American issues, outperformed developed-market stocks (MSCI Emerging Markets net, -1.56% local, -0.86% USD; MSCI EAFE net, -0.88% local, -2.25% USD). Inflation fears and a stronger US dollar were negative factors in global bond markets as well, driving prices sharply lower over the quarter (Lehman Global Aggregate, -2.91% USD; JP Morgan Emerging Markets Bond Plus, -1.09% USD).



Summary of Index Returns

For Periods Ended June 30, 2008

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Domestic Equity					
Standard & Poor's 500	-2.72%	-13.12%	4.41%	7.58%	2.88%
Dow Jones Wilshire 5000	-1.55	-12.53	5.02	8.73	3.59
Dow Jones Wilshire 4500	2.19	-11.40	6.55	12.23	5.86
Dow Jones Wilshire Large Cap	-1.76	-11.78	5.15	8.40	3.25
Dow Jones Wilshire Small Cap	0.32	-15.83	4.94	11.61	6.69
Dow Jones Wilshire Micro Cap	-2.49	-25.64	1.09	8.01	8.54
Domestic Equity					
Dow Jones Wilshire Large Value	-6.59%	-18.84%	3.29%	8.21%	4.84%
Dow Jones Wilshire Large Growth	2.65	-4.90	6.66	8.32	1.27
Dow Jones Wilshire Mid Value	-1.53	-18.11	2.94	9.50	7.95
Dow Jones Wilshire Mid Growth	5.83	-6.84	9.79	14.73	5.17
Dow Jones Wilshire Small Value	-4.49	-20.56	2.51	10.18	8.10
Dow Jones Wilshire Small Growth	5.06	-11.10	7.28	12.92	4.37
International Equity					
MSCI All World ex U.S.	-0.86%	-6.20%	16.16%	19.42%	7.73%
MSCI EAFE	-2.25	-10.61	12.84	16.66	5.83
MSCI Europe	-4.15	-11.34	13.57	17.14	5.59
MSCI Pacific	2.15	-9.00	11.34	15.74	6.63
MSCI EMF Index	-0.80	4.89	27.51	30.14	15.51
Domestic Fixed Income					
Lehman Aggregate Bond	-1.02%	7.13%	4.08%	3.85%	5.68%
Lehman Credit	-0.90	3.81	2.76	3.27	5.57
Lehman Mortgage	-0.49	7.91	4.82	4.56	5.76
Lehman Treasury	-2.10	10.34	4.60	3.80	5.72
Citigroup High Yield Cash Pay	1.42	-1.95	4.38	6.64	5.24
91-Day Treasury Bill	0.31	3.63	4.26	3.17	3.60
International Fixed Income					
Citigroup Non-U.S. Gov. Bond	-4.72%	18.72%	6.65%	7.06%	6.67%
Citigroup World Gov. Bond	-4.23	17.00	6.24	6.40	6.55
Citigroup Hedged Non-U.S. Gov.	-2.37	4.60	2.95	3.53	5.13
Currency*					
Euro vs. \$	-0.57%	16.66%	9.18%	6.53%	-.%
Yen vs. \$	-6.10	16.50	1.49	2.52	2.73
Pound vs. \$	0.13	-0.81	3.55	3.82	1.78
Real Estate					
Dow Jones Wilshire REIT Index	-5.39%	-15.27%	4.90%	14.52%	11.26%
Dow Jones Wilshire RESI	-5.41	-15.42	4.82	14.87	11.00
NCREIF Property Index	0.56	9.20	14.96	14.72	12.23

*Positive values indicate dollar depreciation.



Summary Review of Plans

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
TOTAL FUND for PERF	\$239.2 bil	-0.7%	-2.6%	9.0%	11.1%	6.7%
<i>Total Fund Policy Index</i>		-0.6%	-1.9%	8.6%	10.5%	6.1%
<i>Actuarial Rate</i>		-0.7%	-2.6%	9.0%	7.8%	6.7%
<i>TUCS Public Fund Median</i>		-0.9%	-4.5%	6.6%	8.9%	5.8%
<i>Wilshire Large Fund Universe Median ¹</i>		-0.8%	-4.4%	7.6%	9.8%	6.0%
Affiliate Fund						
Judges II	\$318.6 mil	-1.8%	-4.7%	5.9%	8.4%	5.2%
<i>Weighted Policy Benchmark</i>		-2.2%	-5.2%	6.2%	8.2%	5.2%
Long Term Care ("LTC")	\$2,315.4 mil	-1.3%	-3.1%	6.1%	8.4%	5.1%
<i>Weighted Policy Benchmark</i>		-1.5%	-3.2%	6.1%	8.1%	5.1%
Annuitants Health Care	\$498.8 mil	-1.4%	-4.8%	-.%	-.%	-.%
<i>Weighted Policy Benchmark</i>		-1.9%	-7.2%	-.%	-.%	-.%
<i>TUCS Public Fund Median</i>		-0.9%	-4.5%	6.6%	8.9%	5.8%
Legislators' Fund						
LRS	\$134.0 mil	-1.3%	0.0%	4.7%	6.6%	5.6%
<i>Weighted Policy Benchmark</i>		-1.6%	0.2%	5.1%	6.7%	5.9%
<i>TUCS Public Fund Median</i>		-0.9%	-4.5%	6.6%	8.9%	5.8%
Supplemental Income Plans	\$19.4 mil	-2.0%	-6.9%	5.7%	8.3%	-.%
<i>Weighted Policy Benchmark</i>		-1.9%	-6.6%	6.1%	8.4%	-.%

¹ The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocation.



Total Fund Review PERF

Periods Ended 6/30/2008

	Market Value	Five-Year Ratios								
		Qtr	1 Year	3 Year	5 Year	10 Year	VaR ¹³	PAR ¹⁴	Sharpe ¹⁵	Info ¹⁵
TOTAL FUND	\$239.2 bil	-0.7%	-2.6%	9.0%	11.1%	6.7%	\$23.4 bil	0.4%	1.2	0.8
Total Fund Policy Index ²		-0.6%	-1.9%	8.6%	10.5%	6.1%			1.2	0.0
Actuarial Rate		-0.7%	-2.6%	9.0%	7.8%	6.7%				
TUCS Public Fund Median		-0.9%	-4.5%	6.6%	8.9%	5.8%				
Wilshire Large Fund Universe Median ³		-0.8%	-4.4%	7.6%	9.8%	6.0%				
TOTAL GLOBAL EQUITY EX-AIM ⁴	124.2	-1.1%	-11.3%	8.2%	12.0%	5.3%	\$19.5 bil	0.3%	0.8	0.1
Equity Policy Index ⁵		-1.4%	-10.2%	8.6%	12.0%	4.8%			0.8	0.0
TUCS Equity Median ⁶		-0.2%	-12.5%	5.0%	9.4%	5.3%				
TOTAL FIXED INCOME ⁷	59.1	-1.5%	7.7%	4.4%	5.2%	6.4%	\$2.9 bil	0.1%	0.4	0.8
Fixed Income Policy Index ⁸		-1.5%	8.8%	3.9%	4.5%	6.2%			0.3	0.0
TUCS Fixed Income Median		-0.7%	5.9%	4.2%	4.1%	5.8%				
TOTAL REAL ESTATE ⁹	23.6	0.2%	5.9%	17.7%	19.1%	14.5%	\$4.5 bil	0.1%	2.3	
NCREIF Property Index Lagged		1.6%	13.6%	16.8%	15.1%	12.6%			4.8	
TUCS Real Estate Median		0.0%	6.1%	13.1%	15.6%	13.0%				
TOTAL AIM PROGRAM	24.8	1.8%	19.6%	20.6%	19.4%	12.1%	\$7.0 bil	0.1%	2.3	
Policy Index ¹⁰		4.4%	19.0%	18.6%	16.3%	5.5%			5.7	
TOTAL INFLATION LINKED PROGRAM	4.7	10.0%	-.%	-.%	-.%	-.%	\$1 bil			
Policy Index		3.4%	-.%	-.%	-.%	-.%				
CASH EQUITIZATION PROGRAM ¹¹	2.8	-3.6%	-9.3%	1.3%	1.4%	3.0%				
Custom STIF ¹²		0.6%	4.2%	4.6%	3.4%	3.8%				

² The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

³ These returns represent preliminary numbers.

⁴ Includes domestic equity, international equity, corporate governance, and MDP ventures.

⁵ The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

⁶ Includes domestic and international equity.

⁷ The Total Fixed Income Composite does not include LM Capital. LM Capital has been mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

⁸ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁹ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

¹⁰ The AIM Policy Index consists of the Custom Young Fund Universe and is linked historically to its prior benchmark.

¹¹ Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.

¹² The Custom STIF Policy Index is a custom index maintained by SSgA.

¹³ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

¹⁴ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV). The PAR for ILAC will be shown after 4 quarters of history.

¹⁵ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.



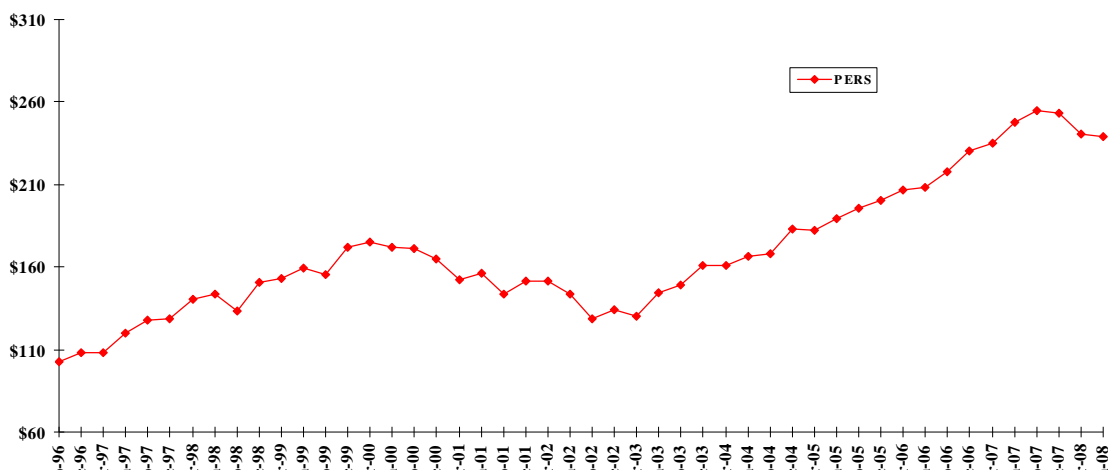
Total Fund Review for PERF (continued)
Periods Ended 6/30/08

Total Fund Flow

<u>(\$Millions)</u>	<u>Beg. Mkt Value</u>	<u>Net Cash Flow</u>	<u>Invest. Mgmt Fees</u>	<u>Invest. Gain/Loss</u>	<u>End. Mkt Value</u>	<u>Total Return</u>
2Q08	240,877	(208)	(133)	(1,303)	239,233	(0.7)%

Historical Growth of Assets

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>	<u>4Q07</u>	<u>1Q08</u>	<u>2Q08</u>
Market Value (\$bil)	164.6	151.7	134.1	161.0	182.8	200.6	230.3	234.8	247.7	254.6	253.0	240.9	239.2



Asset Allocation

Asset Allocation: Actual versus Target Weights*

<u>Asset Class</u>	<u>Actual Asset Allocation Quarter Ending</u>	<u>Target Asset Allocation</u>	<u>Difference Ending</u>
Equities	51.9%	56.0%	-4.1%
Fixed Income	24.7%	23.5%	1.2%
Real Estate	9.9%	10.0%	-0.1%
ILAC	2.0%	1.5%	0.5%
AIM	10.4%	9.0%	1.4%
Cash Equivalents	1.1%	0.0%	1.1%

CalPERS Historical Asset Allocation

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>	<u>4Q07</u>	<u>1Q08</u>	<u>2Q08</u>
% Equity	66	69	70	64	63	57	63	63	62	63	62	61	57	56	52	52
% AIM	-	-	-	-	-	5	5	5	5	6	6	6	8	8	9	10
% Fixed Income	28	26	24	29	27	28	24	24	25	23	23	24	26	27	27	25
% ILAC	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	2
% Real Estate	5	4	5	6	9	9	7	6	5	8	8	8	8	8	10	10
% Cash	1	1	1	1	1	1	1	1	3	1	1	1	1	1	1	1

* Asset allocation targets are in the process of shifting to the new targets adopted by the Investment Committee as of January 2008.



California Public Employees' Retirement System
Total Fund Attribution
Total Composite
Quarter Ended 6/30/08

Composite	Allocation			Returns			Total Fund Return Contribution					
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Strategic Policy (%)	Actual Allocation (%)	Active Mgmt (%)	Activity (%)	Weighted Return (%)	
Total Equity ex-AIM	56.0	52.4	-3.6	-1.4	-1.1	0.3	-0.7	0.0	0.2	0.1	-0.5	
U.S. Equity	36.1	30.2	-5.9	-1.5	-1.2	0.3	-0.5	0.1	0.1	0.1	-0.3	
Internal Passive (including DCF)	25.9	22.9	-3.0	-1.5	-1.2	0.3	-0.4	0.0	0.1	0.0	-0.3	
Internal Enhanced	1.8	1.9	0.1	-1.5	-6.0	-4.5	0.0	0.0	-0.1	0.0	-0.1	
External Enhanced	3.8	0.6	-3.2	-2.2	-2.0	0.2	-0.1	0.1	0.0	0.0	0.0	
Active	1.8	1.7	-0.1	-1.5	-1.9	-0.4	0.0	0.0	0.0	0.0	0.0	
Corporate Governanace	1.8	0.9	-0.9	-1.8	0.3	2.1	0.0	0.0	0.0	0.0	0.0	
Long/Short	0.0	1.2	1.2	-2.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	
MDP	0.8	0.6	-0.2	-0.7	1.5	2.2	0.0	0.0	0.0	0.0	0.0	
Non-U.S. Equity	18.1	19.3	1.2	-1.3	-1.0	0.3	-0.2	0.0	0.1	0.0	-0.2	
Passive	8.7	11.2	2.5	-1.0	-1.3	-0.3	-0.1	0.0	0.0	0.0	-0.1	
Enhanced	1.5	0.4	-1.1	-1.4	-0.3	1.1	0.0	0.0	0.0	0.0	0.0	
Active	3.5	4.0	0.5	-1.4	0.0	1.4	0.0	0.0	0.1	0.0	0.0	
Emerging Markets	3.1	2.4	-0.7	-1.1	-0.9	0.2	0.0	0.0	0.0	0.0	0.0	
Corporate Governanace	0.9	1.1	0.2	0.8	-1.3	-2.2	0.0	0.0	0.0	0.0	0.0	
MDP	0.4	0.1	-0.3	-1.4	1.2	2.6	0.0	0.0	0.0	0.0	0.0	
Currency Overlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
RM ARS	1.8	2.9	1.1	1.0	1.8	0.8	0.0	0.0	0.0	0.0	0.1	
Total Fixed Income	23.5	26.7	3.2	-1.5	-1.5	0.0	-0.3	0.0	0.0	0.0	-0.4	
U.S. Fixed Income	21.5	24.3	2.8	-1.2	-1.3	-0.1	-0.3	0.0	0.0	0.0	-0.3	
Internal U.S. Bonds^	21.0	22.7	1.7	-1.2	-1.3	-0.1	-0.3	0.0	0.0	0.0	-0.3	
Special Investments^	0.8	0.5	-0.3	-0.4	-0.5	-0.1	0.0	0.0	0.0	0.0	0.0	
Opportunistic^	0.7	1.1	0.4	2.1	-0.3	-2.4	0.0	0.0	0.0	0.0	0.0	
Non-U.S. Fixed Income	2.0	2.4	0.4	-4.7	-4.4	0.3	-0.1	0.0	0.0	0.0	-0.1	
Inflation Adjusted	1.5	1.4	-0.1	3.4	10.0	6.6	0.1	0.0	0.1	0.0	0.1	
Real Estate	10.0	9.7	-0.3	1.6	0.2	-1.4	0.2	0.0	-0.1	0.0	0.0	
AIM Program	9.0	9.0	0.0	4.4	1.8	-2.6	0.4	0.0	-0.2	0.0	0.2	
Cash Equization	0.0	0.8	0.8	0.6	-3.6	-4.2	0.0	0.0	0.0	0.0	0.0	
Total Fund	100.0	100.0	0.0	-0.6	-0.7	-0.1	-0.6	0.0	-0.2	0.1	-0.7	

The Total Fund Attribution displays the return contribution of each asset class to the total fund using the allocation to each program at the beginning of the quarter and this quarter's returns to determine if tactical allocation and active management within asset classes helped or hurt performance



Total Fund Review for PERF (continued)

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of -0.7%, for the quarter ended June 30, 2008. CalPERS' return can be attributed as follows:

-0.6%	Strategic Policy Allocation
+0.0%	Actual/Tactical Asset Allocation
+0.1%	Activity/Timing
<u>-0.2%</u>	Active Management
-0.7%	Total Return

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
 - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
 - Activity: The Activity contribution column is the difference between the "buy and hold" portfolio and the weighted return and would be caused by timing and size of cash flows (transfers, deposits, and withdrawals).
 - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
 - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
 - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ The Total Fund composite lagged its strategic policy. However, the System has beaten its weighted policy index and its actuarial rate of return for the 3-year and 5-year and has outperformed against its policy index for the 10-year period.



Total Fund Review for PERF (continued)

Helped Performance:

- ◆ **Real Estate:** The System's real estate segment returned 0.2%, outperforming the total fund policy's return of -0.6% for the quarter. The program has produced excellent long-term returns and has outperformed the total fund policy for the one, three, five, and ten year periods.
- ◆ **AIM Program:** The alternative investment program outperformed the total fund and equity policies and has continued to contribute favorably to the total fund policy for the one, three, five, and ten year periods.
- ◆ **RM ARS Program:** The RM ARS Program outperformed the total fund and equity policies. The program has outperformed the total fund policy for the one year and five year periods. The US equity segment was its funding source.
- ◆ **Total Inflation Linked Program:** The total inflation linked program outperformed the total fund policy.

Impeded Performance:

- ◆ **U.S. Equity Exposure:** The System's U.S. equity asset class returned -1.2% which underperformed the total fund policy return. Domestic equities have underperformed the total fund policy return for the one, three, five, and ten year periods.
- ◆ **International Equity Exposure:** The System's international equity program returned -1.0% and underperformed the policy index return for the quarter. International equities have outperformed the total fund policy for the three, five and ten year periods.
- ◆ **US Bond Exposure:** Bond markets saw yields raise as investors sold fixed income securities as the liquidity crises unfolded. The Bond segment underperformed the total fund policy return but has outperformed over the one year and ten year periods.
- ◆ **International Fixed Income:** The international bond segment also underperformed the total fund policy but has outperformed over the one year period.
- ◆ **Corporate Governance:** The System's corporate governance program underperformed the total fund policy for the quarter. However, the corporate governance segment has produced favorable contributions to the total fund performance for the five year time period.



Total Equity Review for PERF Periods Ended 6/30/08

Equity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Equities	29.0	37.3%	-8.3
Non US Equities	22.9	18.7	+4.2

Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ²³	PAR ²⁴	5-year Sharpe Ratio ²⁵	5-year Info Ratio ²⁵
Total Global Equity ex-AIM¹⁶	124.2	-1.1%	-11.3%	8.2%	12.0%	5.3%	\$19.5 bil	0.3%	0.8	0.1
Equity Policy Index ¹⁷		-1.4%	-10.2%	8.6%	12.0%	4.8%			0.8	0.0
Value Added		0.3%	-1.1%	-0.4%	0.0%	0.5%				
US Equity Composite	63.4	-1.2%	-12.6%	4.9%	8.4%	3.6%			0.5	-0.2
PERS Wilshire 2500 Index		-1.5%	-12.0%	5.1%	8.5%	3.3%			0.5	0.0
Value Added		0.3%	-0.6%	-0.2%	-0.1%	0.3%				
Non-US Equity Composite	48.1	-1.0%	-9.0%	14.6%	17.7%	6.9%			1.2	-0.9
PERS Custom Index ¹⁸		-1.3%	-9.6%	15.9%	19.1%	7.6%			1.2	0.0
Value Added		0.3%	0.6%	-1.3%	-1.4%	-0.7%				
RM ARS Program	7.6	1.8%	-1.5%	8.5%	8.7%	-.-%			0.9	-0.2
Policy Index ¹⁹		1.0%	10.7%	9.7%	10.0%	-.-%			2.6	0.0
Value Added		0.8%	-12.2%	-1.2%	-1.3%	-.-%				
Corporate Governance	5.1	-0.6%	-20.8%	4.4%	13.2%	-.-%			0.7	0.3
Policy Index ²⁰		-0.1%	-13.9%	7.6%	11.4%	-.-%			0.7	0.0
Value Added		-0.5%	-6.9%	-3.2%	1.8%	-.-%				
Total Global Equity ex-AIM & ex-Currency overlay²¹	123.9	-1.2%	-10.7%	8.5%	12.0%	5.1%				
Equity Policy Index ²²		-1.4%	-10.2%	8.6%	12.0%	4.8%				
Value Added		0.2%	-0.5%	-0.1%	0.0%	0.3%				

¹⁶ Includes domestic equity, international equity, corporate governance, currency overlay, and the RM ARS program.. In addition, there may be rounding differences.

¹⁷ The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

¹⁸ The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

¹⁹ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

²⁰ The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

²¹ Includes domestic equity, international equity, corporate governance, and the RM ARS program.

²² The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

²³ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return – (1.65 X SD)) X MV).

²⁴ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

²⁵ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



Total Equity Review for PERF (continued)

Comments Regarding Recent Equity Segment Performance

Helped or Equaled Performance:

- ◆ **Internal PERS 2500:** The System's internal PERS 2500 index fund outperformed against the equity policy index. The fund's performance matched that of its custom benchmark which is consistent with its objective.
- ◆ **International Equity Exposure:** The System's international equity managers outperformed against the equity policy for the quarter and has outperformed for all other periods.
- ◆ **Internal International Equity Index:** The System's internally managed international equity index outperformed the equity policy index over the quarter. The index has added value over longer periods.
- ◆ **Emerging Markets Exposure:** The System's emerging market managers outperformed the equity policy index. The emerging markets segment outpaced the total equity return over all other longer periods.
- ◆ **RM ARS Program:** The System's RM ARS program outperformed the equity policy for the quarter.
- ◆ **Dynamic Completion Fund (DCF):** The DCF portfolio outperformed the equity policy return for the quarter and the one year period.
- ◆ **Corporate Governance:** The corporate governance program outperformed against the total equity policy index for the quarter and five year time periods.
- ◆ **Environmental Domestic Equity:** The environmental domestic equity outperformed against the total equity policy for the quarter.
- ◆ **International Equity MDP:** The international equity MDP program outperformed the total equity policy this quarter.
- ◆ **Domestic Equity MDP:** The System's domestic MDP program outperformed against the total equity policy.
- ◆ **International Environmental Program:** The international environmental program outperformed the total equity policy this quarter

Impeded Performance:

- ◆ **Domestic Internal Micro-Cap Exposure:** The internal micro-cap portfolio lagged the equity policy index over the quarter.



Total Equity Review for PERF - U.S. Equity Manager Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10-Year	Date
US Equity Composite²⁶	63.4	-1.2%	-12.6%	4.9%	8.4%	3.6%	12/79
PERS Wilshire 2500 Index		-1.5%	-12.0%	5.1%	8.5%	3.3%	
Value Added		0.3%	-0.6%	-0.2%	-0.1%	0.3%	
Total Internal Equity²⁶	53.5	-1.3%	-12.2%	5.2%	8.5%	3.5%	6/88
Internal PERS 2500	43.8	-1.2%	-11.8%	5.3%	8.7%	3.5%	12/91
PERS Wilshire 2500		-1.5%	-12.0%	5.1%	8.5%	3.3%	
Tracking Error		0.3%	0.2%	0.2%	0.2%	0.2%	
Dynamic Completion Fund (DCF)	3.4	-0.2%	-8.8%	5.9%	7.7%	-.%	9/98
Custom Benchmark		0.0%	-9.0%	6.0%	7.7%	-.%	
Tracking Error		-0.2%	0.2%	-0.1%	0.0%	-.%	
Domestic Enhanced Index Strategy	4.6	0.1%	-12.9%	6.0%	10.4%	-.%	3/01
PERS Wilshire 2500		-1.5%	-12.0%	5.1%	8.5%	-.%	
Value Added		1.6%	-0.9%	0.9%	1.9%	-.%	
Internal Domestic Fundamental	1.0	-6.0%	-19.6%	-.%	-.%	-.%	6/06
PERS Wilshire 2500		-1.5%	-12.0%	-.%	-.%	-.%	
Value Added		-4.5%	-7.6%	-.%	-.%	-.%	
Internal Microcap	0.7	-3.6%	-25.2%	0.6%	-.%	-.%	9/03
Custom Benchmark		-5.7%	-29.3%	-0.9%	-.%	-.%	
Tracking Error		2.1%	4.1%	1.5%	-.%	-.%	
Total External Domestic Equity	8.3	-0.6%	-13.8%	4.1%	8.3%	4.3%	6/87
Total Active External Mainstream	2.8	-1.9%	-13.5%	4.7%	8.5%	4.0%	6/98
Total Domestic Ext. Enhanced	1.4	-2.0%	-15.4%	3.3%	-.%	-.%	9/04
Custom Benchmark		-2.2%	-13.2%	4.5%	-.%	-.%	
Value Added		0.2%	-2.2%	-1.2%	-.%	-.%	
Long/Short	2.2	0.0%	-14.3%	-.%	-.%	-.%	6/07
Custom Benchmark		-2.0%	-12.6%	-.%	-.%	-.%	
Value Added		2.0%	-1.7%	-.%	-.%	-.%	
FIS Fund of Funds	0.2	1.7%	-.%	-.%	-.%	-.%	3/08
Custom Benchmark		-0.7%	-.%	-.%	-.%	-.%	
Value Added		2.4%	-.%	-.%	-.%	-.%	
Leading Edge Fund of Funds	0.2	5.6%	-.%	-.%	-.%	-.%	3/08
Custom Benchmark		1.5%	-.%	-.%	-.%	-.%	
Value Added		4.1%	-.%	-.%	-.%	-.%	
Total Domestic Equity MDP	1.0	1.5%	-9.0%	5.8%	9.6%	-.%	12/00
Total Domestic Equity MDP II	0.5	0.6%	-11.0%				3/07
Total Domestic Equity MDP Ventures	0.0	0.0%	11.2%	155.1%	100.3%	-.%	3/01
Environmental Domestic Equity	0.3	1.7%	-9.4%	3.9%	-.%	-.%	3/05
Custom Benchmark		-2.1%	-12.7%	4.6%	-.%	-.%	
Value Added		3.8%	3.3%	-0.7%	-.%	-.%	
Domestic Equity Active Manager Program²⁷							
Active External Managers + Enh + DCF	9.8	-0.9%	-13.0%	4.3%	7.6%	-.%	6/98
PERS Wilshire 2500		-1.5%	-12.0%	5.1%	8.5%	-.%	
Value Added of Active Mgr Program		0.6%	-1.0%	-0.8%	-0.9%	-.%	

²⁶ Composites may not add up exactly due to rounding. The US Equity Composite includes LM Capital which is a fixed income manager that has been allocated to the equity segment. And Atlantic, Smith Breeden, and WAMCO which had their assets move internally. The assets amounts were \$292 MM \$370 MM and \$464 MM, respectively.

²⁷ This composite combines components listed above to present a comparison of the total domestic equity active manager program versus its benchmark.



Total Equity Review for PERF - International Equity Manager Performance

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
Non-US Equity Composite ²⁸	48.1	-1.0%	-9.0%	14.6%	17.7%	6.9%	6/89
PERS Custom Index ²⁹		-1.3%	-9.6%	15.9%	19.1%	7.6%	
Value Added		0.3%	0.6%	-1.3%	-1.4%	-0.7%	
Int'l Active Equity + MDP + Enh	8.8	0.0%	-8.2%	15.2%	18.0%	7.1%	3/89
Custom Benchmark		-1.3%	-6.6%	15.9%	19.1%	7.5%	
Value Added		1.3%	-1.6%	-0.7%	-1.1%	-0.4%	
Int'l Emerging Markets	5.7	-0.9%	2.1%	25.0%	30.3%	-.-%	9/02
CalPERS FTSE All Emerging Index (with Tobacco)		-1.1%	2.5%	26.1%	29.3%	-.-%	
Value Added		0.2%	-0.4%	-1.1%	1.0%	-.-%	
Total Int'l MDP ³⁰	0.3	1.2%	-6.3%	13.4%	16.2%	-.-%	6/00
Fundamental Developed Intl	1.0	-3.9%	-11.4%	-.-%	-.-%	-.-%	3/07
CalPERS FTSE Developed Index		-1.4%	-8.6%	-.-%	-.-%	-.-%	
Value Added		-2.5%	-2.8%	-.-%	-.-%	-.-%	
Structured Emerging Markets	0.1	-2.7%	3.0%	-.-%	-.-%	-.-%	6/07
CalPERS FTSE All Emerging (w/o Tobacco)		-2.0%	3.3%	-.-%	-.-%	-.-%	
Value Added		-0.7%	-0.3%	-.-%	-.-%	-.-%	
Fundamental Emerging Markets	0.1	-3.1%	2.9%	-.-%	-.-%	-.-%	6/07
CalPERS FTSE All Emerging (w/o Tobacco)		-2.0%	3.3%	-.-%	-.-%	-.-%	
Value Added		-1.1%	-0.4%	-.-%	-.-%	-.-%	
Total Int'l Ventures	0.0	0.0%	4.2%	38.7%	39.4%	-.-%	3/02
External International Equity Transition	0.2						
Internal International Equity ³¹	31.6	-1.2%	-8.5%	14.3%	-.-%	-.-%	6/05
Custom Benchmark		-1.4%	-8.6%	14.1%	-.-%	-.-%	
Tracking Error		0.2%	0.1%	0.2%	-.-%	-.-%	
Environmental International	0.2	-0.4%	-10.0%	-.-%	-.-%	-.-%	3/06
Custom Benchmark		-1.4%	-8.5%	-.-%	-.-%	-.-%	
Value Added		1.0%	-1.5%	-.-%	-.-%	-.-%	
Total Intl Equity ex-AIM & ex-Currency overlay ³²	46.9	-1.0%	-8.0%	15.3%	18.7%	7.5%	
Custom Benchmark ³³		-1.3%	-9.6%	15.9%	19.1%	7.6%	
Value Added		0.3%	1.6%	-0.6%	-0.4%	-0.1%	

²⁸ Composite may not add up exactly due to rounding. The Non-US Equity Composite includes the effect of the currency hedging program, but the benchmark is unhedged. The "Total Intl Equity ex-AIM & ex-Currency overlay" composite at the bottom of the page presents the results without the effects of the currency hedge.

²⁹ The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

³⁰ Total MDP market value is also included in the International Active Equity + MDP Composite.

³¹ The currency overlay portfolios' values are included in the international equity index.

³² Includes international equity ex-currency overlay.

³³ The custom benchmark excludes currency overlay.



RM ARS Program Review for PERF Period Ended 6/30/08

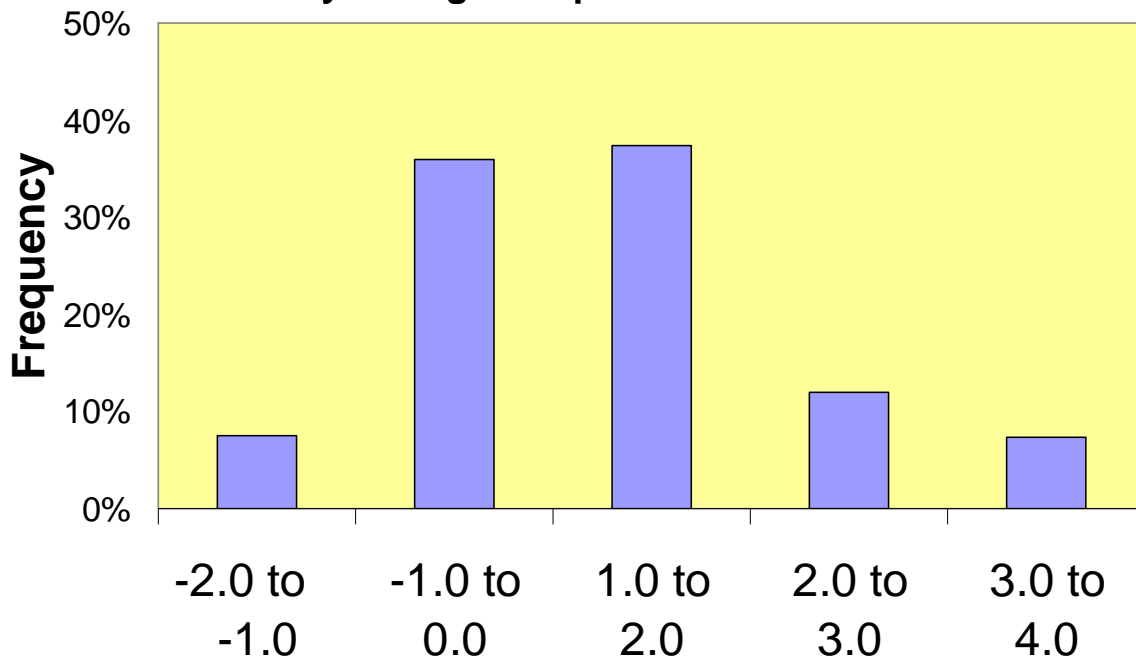
	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>5-Year</u> <u>Info</u> <u>Ratio</u> ³⁵	<u>5-Year</u> <u>Up</u> <u>Capture</u> <u>Ratio</u>	<u>5-Year</u> <u>Down</u> <u>Capture</u> <u>Ratio</u>	<u>5-Year</u> <u>Sharpe</u> <u>Ratio</u> ³⁶	<u>5-Year</u> <u>Sortino</u> <u>Ratio</u> ³⁶
Total RM ARS Program	7.6	1.8%	-1.5%	8.5%	8.7%	-0.2	0.9	-1.9	0.9	1.3
Total Direct Investments	6.2	2.0%	-1.7%	9.0%	9.0%					
Total Fund of Funds	1.4	1.1%	-0.5%	-.%	-.%					
Policy Index ³⁴		1.0%	10.7%	9.7%	10.0%					
Value Added		0.8%	-12.2%	-1.2%	-1.3%					
ML 1-Year Treasury Note Index + 5% Index		1.0%	10.7%	9.7%	8.3%					
HFRI Fund of Funds Index		2.0%	0.0%	8.2%	7.7%					

RM ARS Program Characteristics Period Ended 6/30/08

Rolling Correlations vs. Index

<u>Percentage</u> <u>of positive</u> <u>Months</u>	<u>Beta vs.</u> <u>S&P 500</u>	<u>DJ</u> <u>W5000</u> ²⁰	<u>PERS</u> <u>2500</u> ²⁰	<u>Lehman Long</u> <u>Liability</u> <u>Index</u>	<u>FTSE AW</u> <u>X US</u> ²⁰
69%	0.3	0.5	0.5	-0.3	0.6

CalPERS- RM ARS (net) Monthly Histogram April 2001 to June 2008



³⁴ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

³⁵ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

³⁶ The Sortino Ratio is measure of a risk-adjusted return of an investment asset. It is an extension of the Sharpe Ratio. While the Sharpe ratio takes into account any volatility, in return of an asset, Sortino ratio differentiates volatility due to up and down movements. The up movements are considered desirable and not accounted in the volatility. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return

RM ARS Program Review for PERF

- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.3 which implies a semi-weak relationship to stock market return, which is appropriate for this program.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS should function independently of the other asset classes and have a low correlation to directional movements in all other asset classes. Since inception, the performance of both the RM ARS and the stock market has been generally positive, resulting in a moderately high correlation.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. We believe that the distribution of monthly returns is as expected, given the youthfulness of the program, and has significantly more positive months than negative months, which is favorable.

Corporate Governance Review

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Date</u>
Total Corporate Governance	5.1	-0.6%	-20.8%	4.4%	13.2%	12/98
<i>Policy Index</i>		-0.1%	-13.9%	7.6%	11.4%	
<i>Value Added</i>		-0.5%	-6.9%	-3.2%	1.8%	
Total Domestic Corporate Governance	2.2	0.3%	-20.7%	0.4%	11.5%	12/98
Total Int'l Corporate Governance	2.9	-1.3%	-20.9%	8.0%	14.5%	12/98

- ◆ The System's total corporate governance program underperformed its objective. The international corporate governance subtracted value as Japan's stock market has lagged the US market.



Total Fixed Income Review for PERF

Periods Ended 6/30/08

Fixed Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Fixed Income	22.6%	23.0%	-0.4%
Non US Fixed Income	2.1	2.0	+0.1

Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁴⁰	PAR ⁴¹	5-year Sharpe Ratio ⁴²	5-year Info Ratio ⁴²
Total Fixed Income	59.1	-1.5%	7.7%	4.4%	5.2%	6.4%	\$2.8 bil	0.1%	0.4	0.8
Fixed Income Policy Index ³⁷		-1.5%	8.8%	3.9%	4.5%	6.2%			0.3	0.0
Value Added		0.0%	-1.1%	0.5%	0.7%	0.2%				
U.S. Fixed Income	54.2	-1.3%	6.5%	4.1%	4.9%	6.4%			0.4	0.7
Policy Index ³⁸		-1.2%	7.8%	3.6%	4.2%	6.2%			0.2	0.0
Value Added		-0.1%	-1.3%	0.5%	0.7%	0.2%				
Non-U.S. Fixed Income	4.9	-4.4%	17.6%	6.3%	7.0%	6.1%			0.4	0.2
Policy Index ³⁹		-4.7%	17.5%	6.5%	7.0%	6.6%			0.4	0.0
Value Added		0.3%	0.1%	-0.2%	0.0%	-0.5%				

Comments Regarding Recent Fixed Income Segment Performance

Helped Performance:

- ◆ **Corporate Bonds:** CalPERS' corporate bonds portfolio outperformed the overall fixed income segment for the quarter. It has also outperformed over longer periods.
- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio outperformed the overall fixed income segment. This segment has equaled or outperformed over the three and five year periods.
- ◆ **Special Investments:** The special investments outperformed versus the fixed income policy index over the quarter and have outperformed or equaled the fixed income policy index over the three and five year periods.

³⁷ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

³⁸ The Domestic Fixed Income Policy Index consists of the Lehman Long Liability Index and is linked historically to its prior benchmark.

³⁹ The Non-US Fixed Income Policy Index consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

⁴⁰ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

⁴¹ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

⁴² The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



- ◆ **External High Yield Bonds:** The external high yield bond managers outperformed the fixed income policy index during the quarter. The segment has added value over the long term, led by the bank loan segment.
- ◆ **Internal High Yield Bonds:** CalPERS' internal high yield portfolio outperformed the fixed income policy index over the quarter. Also, the portfolio has outperformed over the one, three and five year periods.

Impeded Performance:

- ◆ **Treasury Bonds:** Treasury bonds underperformed versus the fixed income policy index for the quarter, as the liquidity situation drove prices down. The portfolio has outperformed the fixed income policy over the one, three, and ten year time periods.
- ◆ **International Fixed Income:** The System's external international bond segment underperformed the total fixed income policy for the quarter as the dollar continued to depreciate. The portfolio has outperformed versus the fixed income policy over the one, three, and five year periods.
- ◆ **Internal Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds that are U.S. Dollar denominated, underperformed versus the total fixed income policy over the quarter but has outperformed over the one, three, five and ten year periods.



Fixed Income Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	59.1	-1.5%	7.7%	4.4%	5.2%	6.4%
Fixed Income Policy Index ⁴³		-1.5%	8.8%	3.9%	4.5%	6.2%
Value Added		0.0%	-1.1%	0.5%	0.7%	0.2%
Total Internal Bonds*	51.6	-0.9%	7.4%	4.0%	4.6%	6.3%
Treasury Bonds	3.4	-2.2%	12.8%	4.5%	4.4%	6.6%
Mortgage Bonds	16.6	-0.4%	6.3%	4.4%	4.5%	5.6%
Long Duration	6.7	-1.5%	5.9%	3.5%	-.%	-.%
Corporate Bonds	16.8	-0.3%	3.1%	3.4%	5.5%	6.6%
U.S. Government	6.4	-2.1%	12.6%	4.5%	3.4%	-.%
Sovereign Bonds ⁴⁴	1.1	-1.8%	11.3%	5.2%	5.8%	8.3%
Duration/SEC Allocation	1.2	0.5%	2.2%	-.%	-.%	-.%
Custom Benchmark ⁴⁵		-1.2%	7.8%	3.6%	4.2%	6.2%
Opportunistic ⁴⁶	2.9	-5.2%	-13.3%	10.4%	14.9%	-.%
Internal High Yield Bonds*	0.6	7.4%	12.3%	15.1%	16.8%	-.%
External High Yield*	1.1	2.6%	-8.3%	5.3%	8.6%	-.%
Citigroup High Yield Cash Pay		2.1%	-1.4%	4.5%	6.7%	-.%
Special Investments	0.9	-0.5%	7.0%	5.1%	4.5%	5.5%
External International Fixed Income	4.9	-4.4%	17.6%	6.3%	7.0%	6.1%
Custom Benchmark ⁴⁷		-4.7%	17.5%	6.5%	7.0%	6.6%
Value Added		0.3%	0.1%	-0.2%	0.0%	-0.5%
Currency Overlay ⁴⁸						
Pareto Partners	5.3	-1.0%	-16.0%	9.7%	13.6%	5.2%
Custom Benchmark		-0.2%	0.4%	1.5%	0.6%	0.7%
Value Added		-0.8%	-16.4%	8.2%	13.0%	4.5%
State Street London	3.4	0.1%	15.2%	22.5%	20.6%	8.7%
Custom Benchmark		-0.2%	0.4%	1.5%	0.6%	0.7%
Value Added		0.3%	14.8%	21.0%	20.0%	8.0%
Internal Currency Overlay	3.8	-0.5%	-17.8%	9.4%	12.9%	-.%
Custom Benchmark		-0.2%	0.4%	1.5%	0.6%	-.%
Value Added		-0.3%	-18.2%	7.9%	12.3%	-.%
Short Term						
High Quality LIBOR*	15.1	1.6%	2.5%	4.1%	3.2%	-.%
Custom Benchmark		0.5%	3.6%	4.4%	3.3%	-.%
Value Added		1.1%	-1.1%	-0.3%	-0.1%	-.%
Short Duration LIBOR*	2.1	-0.7%	-3.0%	2.3%	-.%	-.%
Custom Benchmark		0.5%	3.6%	4.4%	-.%	-.%
Value Added		-1.2%	-6.6%	-2.1%	-.%	-.%

⁴³ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁴⁴ The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

⁴⁵ The custom benchmark consists of the Lehman Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.

⁴⁶ Opportunistic includes internal and external high yield. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.

⁴⁷ The custom benchmark consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

⁴⁸ Currency overlay's performance is rolled into the intl equity comp., but is shown here since it is managed by fixed income managers.

* These portfolios and/or composites are unitized and are included across multiple plans.



Total Inflation Linked Performance for PERF Period Ended 6-30-08

Inflation Linked Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Inflation Linked	2.0%	1.5%	+0.5%

Inflation Linked Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Inflation Linked	4.7	10.0%	-.-%	-.-%	-.-%	-.-%
<i>CPI + 400 BP</i>		3.4%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		6.6%	-.-%	-.-%	-.-%	-.-%
Commodities Collateral	1.4	0.6%	-.-%	-.-%	-.-%	-.-%
<i>Blended LIBOR Fed Fund Index</i>		0.5%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		0.1%	-.-%	-.-%	-.-%	-.-%
Commodities Overlay**	0.0	29.4%	-.-%	-.-%	-.-%	-.-%
<i>Goldman Sachs Commodity Excess Return Index</i>		28.1%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		1.3%	-.-%	-.-%	-.-%	-.-%
Forestland*	1.6	5.7%	-.-%	-.-%	-.-%	-.-%
<i>CPI + 500 BP</i>		3.6%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		2.1%	-.-%	-.-%	-.-%	-.-%
Inflation Linked Bonds	1.5	-0.5%	-.-%	-.-%	-.-%	-.-%
<i>LEHMAN GI. INF</i>		-0.4%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-0.1%	-.-%	-.-%	-.-%	-.-%
Infrastructure*	0.1	-1.4%	-.-%	-.-%	-.-%	-.-%
<i>CPI + 500 BP</i>		3.6%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-5.0%	-.-%	-.-%	-.-%	-.-%

- ◆ CalPERS Inflation Linked performance outperformed its benchmark of the CPI + 400 bp for the quarter.

* Are reported on a quarter-lag.

** The overlay portfolio is a derivatives portfolio which has no market value but a notional value approximately equal to the size of the commodities collateral.



Total Real Estate Review for PERF Period Ended 6/30/08

Real Estate Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Estate	9.9%	10.0%	-0.1%

Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁵¹	PAR ⁵²	5-year Sharpe Ratio ⁵³
Total Real Estate ⁴⁹	23.6	0.2%	5.9%	17.7%	19.1%	14.5%	\$4.5 bil	0.1%	2.3
NCREIF Property Index Lagged ⁵⁰		1.6%	13.6%	16.8%	15.1%	12.6%			4.8
TUCS Real Estate Median		0.0%	6.1%	13.1%	15.6%	13.0%			
Total Core Real Estate	11.6	1.8%	19.4%	23.0%	22.1%	16.7%			
Core Real Estate Private	11.6	1.8%	19.3%	23.0%	22.0%	16.7%			
Total Special Real Estate	12.1	-1.4%	-6.9%	11.7%	16.3%	10.7%			

- ◆ CalPERS' real estate composite produced a return of 0.2% during the quarter, underperforming the lagged NCREIF Property Index return of 1.6%. Over the long term the composite has added value and outperformed both the NCREIF and the TUCS real estate median.

⁴⁹ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁵⁰ The performance of CalPERS' real estate segment is lagged one quarter. Therefore, the NCREIF Property Index is lagged one quarter as well to provide a better comparison.

⁵¹ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

⁵² PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

⁵³ The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



AIM Program Review for PERF Period Ended 6/30/08

AIM Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
AIM	10.4%	9.0%	+1.4%

AIM Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁵⁶	PAR ⁵⁷	5-year Sharpe Ratio ⁵⁸	5-year Info Ratio ⁵⁸
AIM Program ⁵⁴	24.8	1.8%	19.6%	20.6%	19.4%	12.1%	\$7.0 bil	0.1%	2.3	0.8
Policy Index ⁵⁵		4.4%	19.0%	18.6%	16.3%	5.5%			5.7	
Value Added		-2.6%	0.6%	2.0%	3.1%	6.6%				
Long-Term Policy						9.0%				
PERS Wilshire 2500 Index + 3%		-0.7%	-15.0%	8.1%	11.5%	6.3%				
AIM Partnership Investments	24.7	1.8%	19.9%	20.8%	19.5%	11.7%				
AIM Distribution Stock	0.0	4.7%	-35.3%	-5.6%	4.8%	-.%				

- ◆ The AIM program underperformed its objective over the quarter but has outperformed for all longer periods.

Cash Program Review for PERF

Cash Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Cash	1.1%	0.0%	+1.1%

Cash Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Equitized Cash Composite ⁵⁹	2.8	-3.6%	-9.3%	1.3%	1.4%	3.0%
Policy Index ⁶⁰		0.6%	4.2%	4.6%	3.4%	3.8%
Value Added		-4.2%	-13.5%	-3.3%	-2.0%	-0.8%
Total Cash	2.8	0.7%	4.3%	4.8%	3.5%	4.1%
Cash Equitization	0.0	-2.8%	-15.3%	-.%	-.%	-.%

⁵⁴The performance of CalPERS' AIM segment is lagged one quarter.

⁵⁵ The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.

⁵⁶ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

⁵⁷ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

⁵⁸ The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

⁵⁹ Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.

⁶⁰ The Custom STIF Policy Index is a custom index.

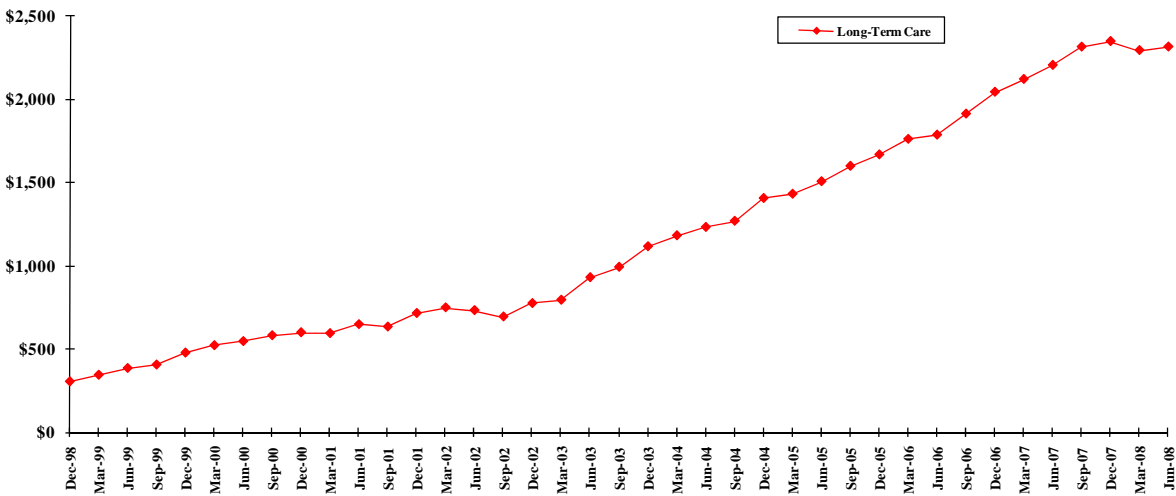
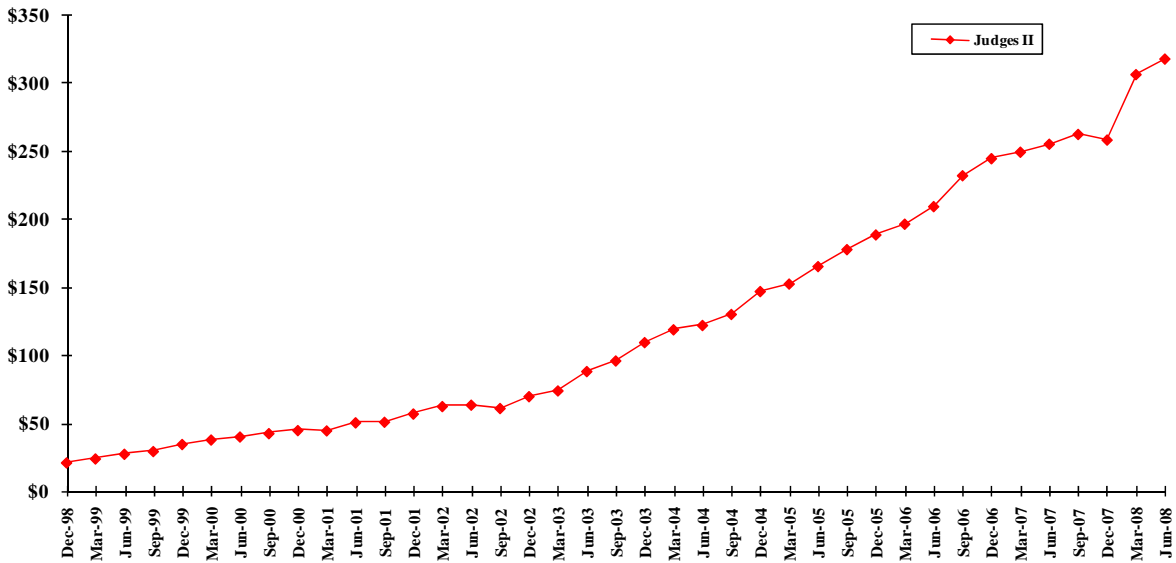


Affiliate Fund Information



Affiliate Fund Performance Period Ended 6/30/08

Growth in Assets (in \$Millions)



Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II	\$318.6 mil	-1.8%	-4.7%	5.9%	8.4%	5.2%
<i>Weighted Policy Benchmark</i> ⁶¹		-2.2	-5.2	6.2	8.2	5.2
Long Term Care ("LTC")	\$2,315.4 mil	-1.3	-3.1	6.1	8.4	5.1
<i>Weighted Policy Benchmark</i>		-1.5	-3.2	6.1	8.1	5.1
Annuitants Health Care	\$498.8 mil	-1.4	-4.8	-.-	-.-	-.-
<i>Weighted Policy Benchmark</i>		-1.9	-7.2	-.-	-.-	-.-
<i>TUCS Public Fund Median</i> ⁶²		-0.9	-4.5	6.6	8.9	5.8

Asset Allocation

Judges II Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
US Equities	31.7	34.0	-2.3
Int'l Equity	19.3	20.0	-0.7
US Bonds	37.0	36.0	1.0
Real Estate	8.9	10.0	-1.1
Cash	3.1	0.0	3.1
Total	100.0	100.0	0.0

LTC Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
US Equities	27.7	29.0	-1.3
Int'l Equity	19.1	19.0	0.1
US Bonds	30.6	30.0	0.6
High Yield	10.6	10.0	0.6
TIPS	7.5	7.0	0.5
Real Estate	4.5	5.0	-0.5
Cash	0.0	0.0	0.0
Total	100.0	100.0	0.0

⁶¹ The weighted policy benchmark returns for Judges II and LTC are based on asset class index returns weighted by asset class policy targets.

⁶² The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolios returns subdivided by client type and asset class.



Commentary

- ◆ For the quarter ended June 30, 2008, the Judges II generated a total return of -1.8% and the LTC generated a return of -1.3%. Both Plans outperformed relative to their respective weighted policy benchmarks for the quarter and continued to do well, in both absolute and relative terms, over the long term.
- ◆ At the end of the quarter, Judges II was underweight in equities and real estate while overweight in fixed income and cash.
- ◆ The LTC had an overweight in international equity, core fixed income, high yield and TIPS while underweight in U.S. equity and real estate.

U.S. Equity Performance

U.S. Equity Performance Periods Ended June 30, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II U.S. Equity	\$101.0 mil	-2.7%	-13.4%	4.2%	7.4	2.7%
<i>Custom Benchmark</i> ⁶³		-2.7	-13.3	4.2	7.4	2.8
LTC U.S. Equity	\$640.8	-2.7	-13.4	4.2	7.4	2.7
<i>Custom Benchmark</i> ⁶³		-2.7	-13.3	4.2	7.4	2.8
<i>TUCS Equity Median</i>		-0.2	-12.5	5.0	9.4	5.3

Commentary

- ◆ The Judges II and LTC equity funds, which are invested in the Custom S&P 500 ex-Tobacco Index Fund, generated a return of -2.7% for the quarter and matched their custom benchmark. The funds have also tracked very closely to the S&P 500 ex-Tobacco Index over the long term.

⁶³ A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segments of Judges II and LTC starting with February 2001 performance. Prior of that the benchmark was the S&P 500 Index.



International Equity Performance

International Equity Performance Periods Ended June 30, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II Int'l Equity	\$61.5 mil	-1.2%	-8.5%	14.1%	17.6%	6.3%
<i>Custom Benchmark</i> ⁶⁴		-1.4	-8.6	13.9	17.3	6.1
LTC Int'l Equity	\$441.3	-1.2	-8.5	13.9	17.4	6.3
<i>Custom Benchmark</i> ⁶⁴		-1.4	-8.6	13.9	17.3	6.1

Commentary

- ◆ The Judges II and LTC international equity funds returned -1.2% for the quarter and produced positive tracking error relative to their custom benchmark, the FTSE Developed World ex-US & Tobacco Index. The funds have also done well over the long run and are performing in line with expectations.

⁶⁴ Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).



Total Fixed Income

Fixed Income Performance Periods Ended June 30, 2008

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II Fixed Income <i>Custom Benchmark</i> ⁶⁵	\$117.9 mil	-0.9%	7.0%	2.3%	3.5%	5.7%
		-1.2	7.8	3.6	3.6	5.5
LTC Fixed Income <i>Custom Benchmark</i> ⁶⁶	\$709.6	-0.8	7.1	2.8	3.8	5.8
		-1.2	7.8	3.5	3.5	5.5
LTC High Yield <i>Lehman Long Liability High Yield</i>	\$245.8	2.4	-2.8	8.5	-.	-.
		2.1	-1.4	4.5	-.	-.
LTC TIPS <i>Lehman Long Liability TIPS</i>	\$173.9	-0.4	14.9	5.1	-.	-.
		-0.3	15.1	5.1	-.	-.

Commentary

- ◆ The Judges II and LTC fixed income portfolios returned -0.9% and -0.8%, respectively, during the second quarter, both outpacing their custom benchmark, the Lehman Long Liability Index. While the portfolios have lagged their benchmark over the one- and three-year periods, they have added value over the ten-year period.
- ◆ LTC's high yield portfolio generated a return of 2.4% for the quarter and beat the Lehman Long Liability High Yield Index. The portfolio has also outperformed its benchmark over the three-year mark with a return of 8.5% versus the Lehman's 4.5%. The LTC TIPS portfolio, benchmarked against the Lehman Long Liability TIPS Index, returned -0.4% and slightly trailed for the quarter. The TIPS portfolio continues to trail the its policy index over the one-year term.

⁶⁵ The current benchmark is the Lehman Long Liability Index. Prior of July 2005 the benchmark was the Lehman Aggregate Bond Index.

⁶⁶ The current benchmark is the Lehman Long Liability Index. Lehman Long Liability ex TIPS ex High Yield was the benchmark between June 2007 and July 2005. Prior of that the benchmark was the Lehman Aggregate Bond Index.



Total Real Estate

Real Estate Performance Periods Ended June 30, 2008

	Market Value	Qtr	One Year	Three Year	Five Year
Judges II REIT	\$28.2 mil	-4.9%	-13.4%	5.7%	-.-
LTC REIT	103.9 mil	-4.9	-14.9	5.1	-.-
<i>Custom Benchmark ⁶⁷</i>		-5.4	-15.4	4.8	-.-
<i>DJ Wilshire RESI</i>		-5.4	-15.4	4.8	14.9
<i>TUCS Real Estate Median</i>		0.0	6.1	13.1	15.6

Commentary

- ◆ Judges II and LTC's REIT portfolio's generated a return of 4.9% for the quarter, faring better than their custom benchmark, the Dow Jones Wilshire Real Estate Securities Index. The two REIT portfolios have also outperformed over the one-year and three-year periods relative to the Dow Jones Wilshire RESI.

⁶⁷ Current benchmark is the DJ Wilshire RESI Index. Historically, it has been the DJ Wilshire REIT Index.

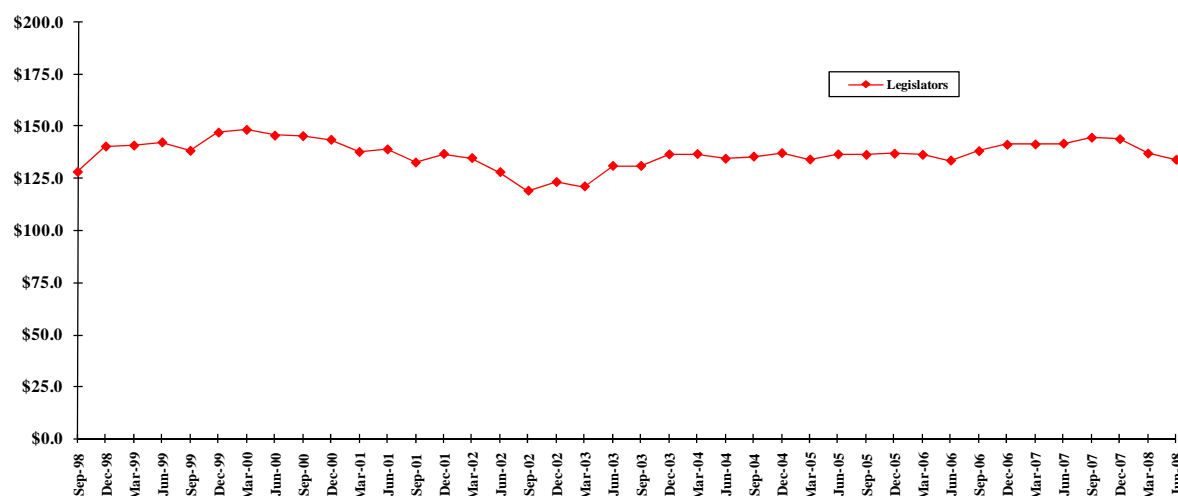


Legislators' Information



California Legislators' Retirement System

Growth in Assets



Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 2008

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS	\$134.0 mil	-1.3%	0.0%	4.7%	6.6%	5.6%
<i>Weighted Policy Benchmark</i> ⁶⁸		-1.6	0.2	5.1	6.7	5.9
<i>TUCS Public Fund Median</i> ⁶⁹		-0.9	-4.5	6.6	8.9	5.8

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	28.6%	30.0%	-1.4%
International Equity	9.6	10.0	-0.4
US Bonds	51.4	50.0	+1.4
TIPS	10.4	10.0	+0.4
Cash Equivalents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	100.0	100.0	0.0

⁶⁸ The weighted policy benchmark returns are calculated based on asset class index returns weighted by asset class policy targets.

⁶⁹ The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.



Commentary

- ◆ The California Legislators' Retirement System ('LRS, the System') generated a return of -1.3% for the second quarter of 2008 and outperformed relative to its weighted policy benchmark's return of -1.6%. Over the one-year and longer-term periods, though, the System has underperformed its policy benchmark. The LRS' portfolio outperformed versus the TUCS Public Fund Median for the quarter and one year period.

LRS Internal U.S. Equity Assets

LRS Internal U.S. Equity Performance Periods Ended June 30, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS U.S. Equity	\$38.3 mil	-2.7%	-13.4%	4.2%	7.4%	2.8%
<i>Custom S&P 500 Index</i> ⁷⁰		-2.7	-13.3	4.2	7.4	2.8
<i>TUCS Equity Median</i>		-0.2	-12.5	5.0	9.4	5.3

Commentary

- ◆ The System's U.S. equity portfolio generated a return of -2.7% during the second quarter and matched its custom benchmark, the S&P 500 ex-Tobacco Index. While the portfolio has slightly trailed over the one-year period, it continues to track very closely to its custom benchmark over the three-, five, and ten-year marks.

International Equity Performance

Total International Equity Performance Periods Ended June 30, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS International	\$12.9 mil	-1.2%	-8.5%	14.0%	17.6%	6.4%
<i>Custom Benchmark</i> ⁷¹		-1.4	-8.6	13.9	17.3	6.1

Commentary

- ◆ The System's international equity portfolio returned -8.5% for the quarter and slightly outpaced its custom benchmark, the FTSE Developed World ex-U.S. & Tobacco Index. Over the one-year and longer periods, the international equity portfolio has performed well and continues to add value.

⁷⁰ A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of LRS starting with the February 2001 performance. Prior of that the benchmark was the S&P 500 Index.

⁷¹ Effective October 1, 2006, the benchmark is the FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).



Total Fixed Income

Total Fixed Income Performance Periods Ended June 30, 2008

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS Fixed Income	\$68.9 mil	-0.8%	7.0%	2.7%	3.5%	5.7%
<i>Custom Benchmark ⁷²</i>		-1.2	7.8	3.6	4.3	6.2
LRS TIPS	\$13.9 mil	-0.4	14.9	4.2	-.-	-.-
<i>Custom Benchmark ⁷³</i>		-0.3	15.1	5.1	-.-	-.-

Commentary

- ◆ The LRS fixed income portfolio returned -0.8% for the quarter and outperformed relative to its custom benchmark, the Lehman Long Liability Index. Over the long term, the portfolio has underperformed its benchmark for all measured periods shown above.
- ◆ The System's TIPS portfolio produced a return of -0.4%, slightly behind its custom benchmark, the Lehman Brothers U.S. TIPS Index, for the quarter, and continues to trail over the one- and three-year periods.

⁷² The current benchmark is the Lehman Long Liability Index. Lehman Long Liability ex TIPS was used as the benchmark between June 2005 and May 2007. Prior of that the benchmark was Citigroup LPF.

⁷³ The current benchmark is the Lehman Brother U.S. TIPS Index. Prior of July 2007 the benchmark was the Lehman Long Liability TIPS Index.

Annuitants Healthcare Plan



Annuitants HealthCare

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	29.9%	35.0%	-5.1%
International Equity	25.8	29.0	-3.2
US Bonds	18.8	20.0	-1.2
High Yield	4.2	6.0	-1.8
REITS	9.7	10.0	-0.3
Cash Equivalents	<u>11.7</u>	<u>0.0</u>	<u>+11.7</u>
	100.0	100.0	0.0

Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 2008

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Total Fund	\$498.8 mil	-1.4%	-4.8%	-.-%	-.-%	-.-%
<i>Benchmark</i>		-1.9	-7.2	-.-%	-.-%	-.-%
Domestic Equity	150.5 mil	-2.7	-14.1	-.-%	-.-%	-.-%
<i>Benchmark</i>		-2.7	-13.4	-.-%	-.-%	-.-%
International Equity	129.8 mil	-1.2%	-7.7	-.-%	-.-%	-.-%
<i>Benchmark</i>		-1.4	-8.6	-.-%	-.-%	-.-%
REITS	48.7 mil	-4.6%	-12.9	-.-%	-.-%	-.-%
<i>Benchmark</i>		-5.4	-15.4	-.-%	-.-%	-.-%
Fixed Income	94.7 mil	-0.9%	6.9	-.-%	-.-%	-.-%
<i>Benchmark</i>		-1.2	7.8	-.-%	-.-%	-.-%
Healthcare Bond Fund	0.4 mil	-1.1	6.2	-.-%	-.-%	-.-%
<i>Lehman Brothers Aggregate</i>		-1.0	7.1	-.-%	-.-%	-.-%
High Yield	21.2 mil	2.4	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		2.1	-.-%	-.-%	-.-%	-.-%
Cash	58.9 mil	0.7	4.2	-.-%	-.-%	-.-%



Supplemental Income Plans



Supplemental Income Plan Performance

Total Fund Performance Results- Supplemental Contribution Plan

Periods Ended June 30, 2008

	Market Value	Qtr	One Year	Three Year	Five Year
Total Fund	\$19.4mil	-2.0%	-6.9%	5.7%	8.3%
<i>Weighted Policy</i>		-1.9	-6.6	6.1	8.4
SCP Equity Fund	\$9.8 mil	-2.7	-13.4	4.3	7.4
<i>PERS S&P 500</i>		-2.8	-13.3	4.2	7.4
SCP International Fund	\$3.7 mil	-1.2	-8.5	14.0	17.4
<i>Custom Benchmark</i>		-1.5	-8.5	13.9	17.3
SCP Fixed Fund	\$5.7 mil	-0.8	6.9	4.9	5.7
<i>Custom Benchmark</i>		-1.2	7.8	3.6	3.6
SCP Short Term Fund	\$0.2 mil	0.6	4.3	3.9	2.9
International index	\$220 thous	-1.3	--	--	--
<i>FTSE Developed World Ex-US</i>		-1.2	--	--	--
Small/Mid Equity Index	110 thous	1.4	--	--	--
<i>Russell 2500</i>		1.4	--	--	--
SSgA Age-Based 2010	7.9 thous	-1.6	--	--	--
<i>Custom SSgA Index</i>		-1.3	--	--	--
SSgA Age-Based 2020	7.5 thous	-1.6	--	--	--
<i>Custom SSgA Index</i>		-1.3	--	--	--
SSgA International Alpha Select	8.2 thous	0.3	--	--	--
<i>MSCI EAFE Index</i>		-2.3	--	--	--
TIPS Securities Fund	240.6thous	-0.5	--	--	--
<i>Lehman TIPS Index</i>		-0.3	--	--	--
Total Return Bond Fund	10.0 thous	-1.1	--	--	--
<i>Lehman Government 1-3 Years</i>		-1.0	--	--	--
Turner Large Cap Growth	44.6 thous	0.5	--	--	--
<i>Russell 1000 Growth</i>		1.3	--	--	--



Aggressive Asset Allocation	10.1 thous	-1.5	-.-	-.-	-.-
<i>SSgA Growth Index</i>		-1.6	-.-	-.-	-.-
S&P 500 Equity Index Fund	637.7 thous	-2.7	-.-	-.-	-.-
<i>S&P 500 Index</i>		-2.7	-.-	-.-	-.-
SSgA AgeBased Income	63.5 thous	-0.8	-.-	-.-	-.-
<i>SSgA Income Custom Index</i>		-0.5	-.-	-.-	-.-
Moderate Asset Allocation Fund	36.0 thous	-1.4	-.-	-.-	-.-
<i>SSgA Balanced Growth index</i>		-1.4	-.-	-.-	-.-
Alliance Bernstein Large Cap	32.9 thous	-6.0	-.-	-.-	-.-
<i>Russell 1000 Value</i>		-5.3	-.-	-.-	-.-
Stable Fixed Income	267.9 thous	0.9	-.-	-.-	-.-
<i>LB Government 1-3 Year index</i>		-0.8	-.-	-.-	-.-



CalPERS Deferred Compensation Plan
Historical Performance
Periods Ended June 30, 2008

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
U.S. Equity Option	\$123.3 mil	-2.7%	-13.1%	4.5%	7.6%	2.8%
Custom S&P 500 Index		-2.7	-13.1	4.4	7.6	2.9

CalPERS 457 Program Net Funds
Periods Ended June 30, 2008

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
SSgA Stable Fixed Income	\$144.8 mil	0.8	3.8	4.1	3.9	4.5
<i>Lehman Bros Government 1-3</i>		-0.8	7.1	4.7	3.3	5.7
S&P 500 Equity Fund	116.6 mil	-2.8	-13.4	4.2	7.3	2.5
<i>S&P 500 Index</i>		-2.7	-13.1	4.4	7.6	2.9
Conservative Asset Allocation	23.7 mil	-1.4	-2.0	4.2	5.4	4.1
<i>Benchmark</i>		-1.2	-0.9	4.9	6.2	5.3
Moderate Asset Allocation	89.8 mil	-1.4	-5.7	4.9	7.0	4.0
<i>Benchmark</i>		-1.4	-4.7	5.4	7.5	5.0
Aggressive Asset Allocation	35.3 mil	-1.6	-9.5	5.3	8.1	3.2
<i>Benchmark</i>		-1.6	-8.5	5.9	8.8	4.6
Alliance Bernstein Large Cap	1.4 mil	-6.1	-19.3	--	--	--
<i>Russell 1000 Value</i>		-5.3	-18.8			
Turner Large Cap Growth	40.0 mil	0.4	-6.1	--	--	--
<i>Russell 1000 Growth</i>		1.3	-6.0			
Small/Mid Equity Index	85.2 mil	1.2	-14.7	--	--	--
<i>Russell 2500 Index</i>		1.4	-14.3			
Total Return Bond Fund	33.4 mil	-1.2	5.6	--	--	--
<i>Lehman Brothers Aggregate</i>		-1.0	7.1			
TIPs Securities	10.4 mil	-0.6	14.3	--	--	--
<i>Lehman Brothers US Tips</i>		-0.3	15.1			
SSgA Age-Based Income	3.5 mil	-0.9	0.6	--	--	--
<i>Custom Index</i>		-0.5	1.3			
SSgA Age Based 2010	6.2 mil	-1.6	-2.1	--	--	--
<i>Custom Index</i>		-1.3	-1.4			
SSgA Age Based 2020	6.1 mil	-1.6	-5.9	--	--	--
<i>Custom Index</i>		-1.3	-5.2			
SSgA Age Based 2030	2.5 mil	-1.4	-8.4	--	--	--
<i>Custom Index</i>		-1.2	-7.8			

CalPERS
Performance Analysis
June 30, 2008

SSgA Age Based 2040	1.5 mil	-1.2	-9.4	-.-	-.-	-.-
<i>Custom Index</i>		-1.1	-8.7	-.-	-.-	-.-
International Index	7.2 mil	-1.4	-8.8	-.-	-.-	-.-
<i>Custom Index</i>		-1.2	-8.2	-.-	-.-	-.-
SSga Interational Alpha Select	37.4 mil	0.2	-9.4	-.-	-.-	-.-
<i>Custom Index</i>		-2.3	-10.6	-.-	-.-	-.-

CalPERS Peace Officers & Fire Fighters Defined Contribution Plan Account
Periods Ended June 30, 2008

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
SSgA Balanced Growth Fund	\$347.9 mil	-1.6%	-6.2%	4.5%	6.6%	-.-
<i>Index</i>		-1.4	-4.7	5.4	7.5	



APPENDIX for Supplemental



CalPERS 457 Program Custom Funds for the City of Anaheim
Periods Ended June 30, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Stable Fixed Income Fund	10.2 mil	0.9%	4.1%	4.3%	4.2%	4.8%
<i>Lehman Bros Government 1-3</i>		-0.8	7.1	4.7	3.3	4.7
Conservative Asset Allocation	0.1 mil	-1.3	-.	-.	-.	-.
<i>SSgA Income and Growth index</i>		-1.2	-.	-.	-.	-.
Moderate Asset Allocation	0.2 mil	-1.4	-.	-.	-.	-.
<i>SSgA Balanced Growth Index</i>		-1.4	-.	-.	-.	-.
Aggressive Asset Allocation	0.0 mil	-1.5	-.	-.	-.	-.
<i>SSgA Growth Index</i>		-1.6	-.	-.	-.	-.
CalPERS S&P 500 Index Fund	6.0 mil	-2.7	-13.2	4.4	7.6	2.8
<i>S&P 500</i>		-2.7	-13.1	4.4	7.6	2.9
Small/Mid Equity Index	2.4 mil	1.4	-8.3	-.	-.	-.
<i>Russell 2500</i>		1.4	-8.1	-.	-.	-.
Total Return Bond Fund	1.3 mil	-1.2	-.	-.	-.	-.
<i>Lehman Aggregate Bond</i>		-1.0	-.	-.	-.	-.
TIPS Securities	0.4mil	-0.5	-.	-.	-.	-.
<i>Lehman US TIPS</i>		-0.3	-.	-.	-.	-.
SSgA Age Based Income Fund	2.1 mil	-0.8	0.8			
<i>Benchmark</i>		-0.5	1.3			
SSgA Age Based 2010	2.7 mil	-1.5	-1.8	-.	-.	-.
<i>Benchmark</i>		-1.3	-1.4	-.	-.	-.
SSgA Age Based 2020	1.8 mil	-1.5	-5.7	-.	-.	-.
<i>Benchmark</i>		-1.3	-5.2	-.	-.	-.
SSgA Age Based 2030	0.8 mil	-1.3	-8.2	-.	-.	-.
<i>Benchmark</i>		-1.2	-7.8	-.	-.	-.
SSgA Age Based 2040	0.2 mil	-1.2	-9.2	-.	-.	-.
<i>Benchmark</i>		-1.1	-8.7	-.	-.	-.
International Index	0.6 mil	-1.3	-.	-.	-.	-.
<i>FTSE Developed World Ex-US</i>		-1.2	-.	-.	-.	-.
SSgA International Alpha Select	1.8mil	0.3	-.	-.	-.	-.



	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
SSgA International Alpha Select	1.8mil	0.3	-.-	-.-	-.-	-.-
<i>MSCI EAFE Index</i>		-2.3	-.-	-.-	-.-	-.-
Alliance Bernstein Large Cap	0.5 mil	-6.1	-.-	-.-	-.-	-.-
<i>Russell 1000 Value</i>		-5.3	-.-	-.-	-.-	-.-
Turner Large Cap Growth	2.6 mil	0.4	-.-	-.-	-.-	-.-
<i>Russell 1000 Growth</i>		1.3	-.-	-.-	-.-	-.-
Mid Cap Equity	0.3 mil	4.7	-9.2	-.-	-.-	-.-
<i>Russell Mid Cap Index</i>		2.7	-11.2	-.-	-.-	-.-
Mid Cap Select	0.4 mil	1.7	-8.3	-.-	-.-	-.-
<i>Russell Mid Cap Index</i>		2.7	-11.2	-.-	-.-	-.-
Small Cap Growth Fund	3.4 mil	7.3	-5.0	-.-	-.-	-.-
<i>Russell 2000 Growth</i>		4.5	-10.8	-.-	-.-	-.-
Passive Bond Market Index	0.5 mil	-1.0	7.3	-.-	-.-	-.-
<i>Leman Brothers Index</i>		-1.0	7.1	-.-	-.-	-.-



APPENDIX for PERF



External Manager Performance Review Domestic Equity - Core

Active External Mainstream Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	2.8	-1.9%	-13.5%	4.7%	8.5%	4.0%	6/98
Domestic External Core							
Markston Large Cap Core	0.0	1.8%	-.%	-.%	-.%	1.8%	3/08
Custom Benchmark		-2.7%	-.%	-.%	-.%	-2.7%	
Value Added		4.5%	-.%	-.%	-.%	4.5%	
Oakbrook Large Cap Core	0.0	-0.6%	-.%	-.%	-.%	-0.6%	3/08
Custom Benchmark		-1.9%	-.%	-.%	-.%	-1.9%	
Value Added		1.3%	-.%	-.%	-.%	1.3%	
OakbrookMidcap Core	0.0	4.2%	-.%	-.%	-.%	4.2%	3/08
Custom Benchmark		2.7%	-.%	-.%	-.%	2.7%	
Value Added		1.5%	-.%	-.%	-.%	1.5%	
Piedmont Large Cap Core (MDP II)	0.2	-2.0%	-13.8%	-.%	-.%	-6.7%	3/07
Custom Benchmark		-2.7%	-13.3%	-.%	-.%	-6.2%	
Value Added		0.7%	-0.5%	-.%	-.%	-0.5%	
Performance Objective		-2.5%	-12.3%	-.%	-.%	-5.2%	
Value Added		0.5%	-1.5%	-.%	-.%	-1.5%	
Profit Small Cap Core	0.0	-0.9%	-.%	-.%	-.%	-0.9%	3/08
Custom Benchmark		0.7%	-.%	-.%	-.%	0.7%	
Value Added		-1.6%	-.%	-.%	-.%	-1.6%	
Quotient Large Core (MDP II)	0.1	-2.2%	-.%	-.%	-.%	-2.2%	3/08
Custom Benchmark		-1.9%	-.%	-.%	-.%	-1.9%	
Value Added		-0.3%	-.%	-.%	-.%	-0.3%	
Quotient Small Core (MDP II)	0.0	-1.6%	-.%	-.%	-.%	-1.6%	3/08
Custom Benchmark		0.7%	-.%	-.%	-.%	0.7%	
Value Added		-2.3%	-.%	-.%	-.%	-2.3%	
Smith Asset Large Cap (MDP)	0.2	0.4%	-10.0%	7.4%	-.%	8.4%	12/03
Custom Benchmark		-2.7%	-13.3%	4.4%	-.%	5.1%	
Value Added		3.1%	3.3%	3.0%	-.%	3.3%	
Performance Objective		-2.2%	-11.3%	6.4%	-.%	7.1%	
Value Added		2.6%	1.3%	1.0%	-.%	1.3%	



Domestic Equity – Long/Short

Long/Short	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Long/Short Funds	2.2	0.0%	-14.3%	-.-%	-.-%	-14.3%	6/07
Analytic Investors	0.6	-0.3%	-13.0%	-.-%	-.-%	-13.0%	6/07
Russell 1000 Ex-Tobacco, Ex-REIT		-1.9%	-12.5%	-.-%	-.-%	-12.5%	
Value Added		1.6%	-0.5%	-.-%	-.-%	-0.5%	
Performance Objective		-1.1%	-9.5%	-.-%	-.-%	-9.5%	
Value Added		0.8%	-3.5%	-.-%	-.-%	-3.5%	
First Quadrant	0.5	2.5%	-.-%	-.-%	-.-%	2.5%	3/08
Benchmark		-1.9%	-.-%	-.-%	-.-%	-1.9%	
Value Added		4.4%	-.-%	-.-%	-.-%	4.4%	
Performance Objective		-1.4%	-.-%	-.-%	-.-%	-1.4%	
Value Added		3.9%	-.-%	-.-%	-.-%	3.9%	
JP Morgan	0.5	-1.5%	-.-%	-.-%	-.-%	-1.5%	3/08
Benchmark		-2.7%	-.-%	-.-%	-.-%	-2.7%	
Value Added		1.2%	-.-%	-.-%	-.-%	1.2%	
Performance Objective		-2.0%	-.-%	-.-%	-.-%	-2.0%	
Value Added		-2.7%	-.-%	-.-%	-.-%	-2.7%	
Quantitative Long/Short	0.6	-0.3%	-13.0%	-.-%	-.-%	-13.0%	6/07
Russell 1000 Ex-Tobacco, Ex-REIT		-1.9%	-12.5%	-.-%	-.-%	-12.5%	
Value Added		1.6%	-0.5%	-.-%	-.-%	-0.5%	
Performance Objective		-1.3%	-10.0%	-.-%	-.-%	-10.0%	
Value Added		1.0%	-3.0%	-.-%	-.-%	-3.0%	



External Manager Performance Review (continued)

Domestic Equity – Growth

Active External Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	2.8	-1.9%	-13.5%	4.7%	8.5%	4.0%	6/98
Domestic External Growth							
AH Lisanti Small Cap Growth	0.0	7.1%	-.%	-.%	-.%	7.1%	3/08
<i>Custom Benchmark</i>		4.5%	-.%	-.%	-.%	4.5%	
<i>Value Added</i>		2.6%	-.%	-.%	-.%	2.6%	
Credo Mid Growth	0.0	11.4%	-.%	-.%	-.%	11.4%	3/08
<i>Custom Benchmark</i>		4.7%	-.%	-.%	-.%	4.7%	
<i>Value Added</i>		6.7%	-.%	-.%	-.%	6.7%	
Cupps Small Growth	0.0	9.0%	-.%	-.%	-.%	9.0%	3/08
<i>Custom Benchmark</i>		4.5%	-.%	-.%	-.%	4.5%	
<i>Value Added</i>		4.5%	-.%	-.%	-.%	4.5%	
DSM Large Growth	0.0	5.6%	-.%	-.%	-.%	5.6%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		4.3%	-.%	-.%	-.%	4.3%	
Logan Large Growth	0.0	1.9%	-.%	-.%	-.%	1.9%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		0.6%	-.%	-.%	-.%	0.6%	
Marvin & Palmer Large Cap Growth	0.7	6.5%	6.6%	-.%	-.%	7.8%	12/06
<i>Custom Benchmark</i>		1.3%	-6.1%	-.%	-.%	1.1%	
<i>Value Added</i>		5.2%	12.7%	-.%	-.%	6.7%	
<i>Performance Objective</i>		1.7%	-4.6%	-.%	-.%	2.6%	
<i>Value Added</i>		4.8%	11.2%	-.%	-.%	5.2%	
Mastrapasqua Large Growth	0.0	5.0%	-.%	-.%	-.%	5.0%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		3.7%	-.%	-.%	-.%	3.7%	
Mindshare Small Growth	0.0	12.4%	-.%	-.%	-.%	12.4%	3/08
<i>Custom Benchmark</i>		4.5%	-.%	-.%	-.%	4.5%	
<i>Value Added</i>		7.9%	-.%	-.%	-.%	7.9%	



External Manager Performance Review (continued)

Domestic Equity – Growth (continued)

Active External Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	2.8	-1.9%	-13.5%	4.7%	8.5%	4.0%	6/98
Domestic External Growth (continued)							
Redwood Large Growth (MDP II)	0.2	5.3%	-.%	-.%	-.%	5.3%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		4.0%	-.%	-.%	-.%	4.0%	
Redwood Large Growth- LEIA	0.0	4.6%	-.%	-.%	-.%	4.6%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		3.3%	-.%	-.%	-.%	3.3%	
Rigel - Large Growth (MDP)	0.2	1.5%	0.5%	7.1%	-.%	7.9%	12/03
<i>Custom Benchmark</i>		1.3%	-6.0%	5.9%	-.%	4.9%	
<i>Value Added</i>		0.2%	6.5%	1.2%	-.%	3.0%	
<i>Performance Objective</i>		1.8%	-4.0%	7.9%	-.%	6.9%	
<i>Value Added</i>		-0.3%	4.5%	-0.8%	-.%	1.0%	
Rushmore Large Growth	0.0	0.3%	-.%	-.%	-.%	0.3%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		-1.0%	-.%	-.%	-.%	-1.0%	
Stux (MDP)	0.3	0.0%	-9.6%	6.2%	-.%	6.3%	3/04
<i>Custom Benchmark</i>		-1.9%	-12.5%	4.9%	-.%	5.6%	
<i>Value Added</i>		1.9%	2.9%	1.3%	-.%	0.7%	
<i>Performance Objective</i>		-1.5%	-11.0%	6.4%	-.%	7.1%	
<i>Value Added</i>		1.5%	1.4%	-0.2%	-.%	-0.8%	
Turner Large Cap Growth	0.8	0.3%	-5.6%	-.%	-.%	2.9%	12/06
<i>Custom Benchmark</i>		1.3%	-6.0%	-.%	-.%	1.1%	
<i>Value Added</i>		-1.0%	0.4%	-.%	-.%	1.8%	
<i>Performance Objective</i>		1.7%	-4.5%	-.%	-.%	2.6%	
<i>Value Added</i>		-1.4%	-1.1%	-.%	-.%	0.3%	



External Manager Performance Review (continued)

Domestic Equity – Value

Active External Mainstream Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	2.8	-1.9%	-13.5%	4.7%	8.5%	4.0%	6/98
Domestic External Value							
Alliance Bernstein	0.4	-7.1%	-23.0%	1.8%	8.0%	7.8%	9/04
<i>Custom Benchmark</i>		-5.4%	-19.0%	3.2%	9.3%	5.3%	
<i>Value Added</i>		-1.7%	-4.0%	-1.4%	-1.3%	2.5%	
<i>Performance Objective</i>		-5.1%	-17.7%	4.5%	10.5%	6.6%	
<i>Value Added</i>		-2.0%	-5.3%	-2.7%	-2.5%	1.2%	
Atlanta Life Large Value	0.0	2.2%	-.%	-.%	-.%	2.2%	3/08
<i>Custom Benchmark</i>		-5.4%	-.%	-.%	-.%	-5.4%	
<i>Value Added</i>		7.6%	-.%	-.%	-.%	7.6%	
The Boston Company	0.5	-1.7%	-10.8%	8.9%	13.0%	7.7%	6/98
<i>Custom Benchmark</i>		-5.4%	-19.0%	2.8%	8.7%	5.3%	
<i>Value Added</i>		3.7%	8.2%	6.1%	4.3%	2.4%	
<i>Performance Objective</i>		-5.1%	-17.7%	4.1%	10.0%	6.6%	
<i>Value Added</i>		3.4%	6.9%	4.8%	3.0%	1.1%	
Denali Advisors (MDP)	0.1	-2.2%	-16.5%	4.3%	10.6%	4.8%	6/01
<i>Custom Benchmark</i>		-5.4%	-17.9%	4.3%	9.5%	4.9%	
<i>Value Added</i>		3.2%	1.4%	0.0%	1.1%	-0.1%	
<i>Performance Objective</i>		-4.9%	-15.9%	6.3%	11.5%	6.9%	
<i>Value Added</i>		2.7%	-0.6%	-2.0%	-0.9%	-2.1%	
Denali Mid Value	0.1	4.1%	-.%	-.%	-.%	-14.4%	9/07
<i>Custom Benchmark</i>		0.1%	-.%	-.%	-.%	-13.8%	
<i>Value Added</i>		4.0%	-.%	-.%	-.%	-0.6%	
Moody Aldrich All Cap Value	0.0	-1.6%	-.%	-.%	-.%	-1.6%	3/08
<i>Custom Benchmark</i>		-5.2%	-.%	-.%	-.%	-5.2%	
<i>Value Added</i>		3.6%	-.%	-.%	-.%	3.6%	



External Manager Performance Review (continued)

Domestic Equity – Value (continued)

Active External Mainstream Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	2.8	-1.9%	-13.5%	4.7%	8.5%	4.0%	6/98
Value (continued)							
Paradigm Alpha Max Large Value	0.0	-3.7%	-.%	-.%	-.%	-3.7%	3/08
<i>Custom Benchmark</i>		-5.4%	-.%	-.%	-.%	-5.4%	
<i>Value Added</i>		1.7%	-.%	-.%	-.%	1.7%	
Phocas Small Value	0.0	-2.1%	-.%	-.%	-.%	-2.1%	3/08
<i>Custom Benchmark</i>		-3.4%	-.%	-.%	-.%	-3.4%	
<i>Value Added</i>		1.3%	-.%	-.%	-.%	1.3%	
Pzena	0.4	-12.9%	-33.6%	-3.6%	6.2%	9.5%	9/00
<i>Custom Benchmark</i>		-5.4%	-19.0%	3.2%	10.3%	7.9%	
<i>Value Added</i>		-7.5%	-14.6%	-6.8%	-4.1%	1.6%	
<i>Performance Objective</i>		-5.1%	-17.7%	4.5%	11.5%	9.2%	
<i>Value Added</i>		-7.8%	-15.9%	-8.1%	-5.3%	0.3%	
Shenandoah (MDP)	0.2	4.9%	-9.5%	6.6%	12.6%	8.6%	3/01
<i>Custom Benchmark</i>		2.7%	-11.1%	6.2%	11.8%	9.0%	
<i>Value Added</i>		2.2%	1.6%	0.4%	0.8%	-0.4%	
<i>Performance Objective</i>		3.2%	-9.1%	8.2%	13.8%	11.0%	
<i>Value Added</i>		1.7%	-0.4%	-1.6%	-1.2%	-2.4%	
Smith Asset Small Cap (MDP)	0.1	5.6%	-14.2%	3.9%	-.%	7.9%	12/03
<i>Custom Benchmark</i>		1.4%	-14.2%	5.3%	-.%	6.9%	
<i>Value Added</i>		4.2%	0.0%	-1.4%	-.%	1.0%	
<i>Performance Objective</i>		2.0%	-11.7%	7.8%	-.%	9.4%	
<i>Value Added</i>		3.6%	-2.5%	-3.9%	-.%	-1.5%	



External Manager Performance Review (continued)

Domestic Equity – Enhanced

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic Ext. Enhanced	1.4	-2.0%	-15.4%	3.3%	-.%	5.1%	9/04
Atlantic Asset Management	0.3	-7.2%	-31.0%	-3.8%	-.%	-3.6%	12/04
<i>Custom Benchmark</i>		-2.7%	-13.1%	4.4%	-.%	3.5%	
<i>Value Added</i>		-4.5%	-17.9%	-8.2%	-.%	-7.1%	
<i>Performance Objective</i>		-2.5%	-12.1%	5.4%	-.%	4.5%	
<i>Value Added</i>		-4.7%	-18.9%	-9.2%	-.%	-8.1%	
Golden Capital	0.5	-2.6%	-12.4%	-.%	-.%	-5.3%	3/07
<i>Custom Benchmark</i>		-2.7%	-13.3%	-.%	-.%	-6.2%	
<i>Value Added</i>		0.1%	0.9%	-.%	-.%	0.9%	
<i>Performance Objective</i>		-2.5%	-12.3%	-.%	-.%	-5.2%	
<i>Value Added</i>		-0.1%	-0.1%	-.%	-.%	-0.1%	
INTECH	0.5	-2.0%	-12.2%	4.1%	-.%	6.5%	9/04
<i>Custom Benchmark</i>		-1.9%	-12.5%	4.7%	-.%	6.2%	
<i>Value Added</i>		-0.1%	0.3%	-0.6%	-.%	0.3%	
<i>Performance Objective</i>		-1.6%	-11.5%	5.7%	-.%	7.2%	
<i>Value Added</i>		-0.4%	-0.7%	-1.6%	-.%	-0.7%	
Smith Breeden	0.4	-1.0%	-21.5%	0.8%	-.%	0.5%	12/04
<i>Custom Benchmark</i>		-2.7%	-13.1%	4.4%	-.%	3.5%	
<i>Value Added</i>		1.7%	-8.4%	-3.6%	-.%	-3.0%	
<i>Performance Objective</i>		-2.5%	-12.1%	5.4%	-.%	4.5%	
<i>Value Added</i>		1.5%	-9.4%	-4.6%	-.%	-4.0%	
T. Rowe Price	0.5	-1.4%	-11.7%	-.%	-.%	2.4%	3/06
<i>Custom Benchmark</i>		-2.7%	-13.3%	-.%	-.%	1.3%	
<i>Value Added</i>		1.3%	1.6%	-.%	-.%	1.1%	
<i>Performance Objective</i>		-2.4%	-12.0%	-.%	-.%	2.5%	
<i>Value Added</i>		1.0%	0.3%	-.%	-.%	-0.1%	
WAMCO	0.5	0.6%	-21.1%	1.3%	-.%	3.3%	9/04
<i>Custom Benchmark</i>		-2.7%	-13.1%	4.4%	-.%	5.8%	
<i>Value Added</i>		3.3%	-8.0%	-3.1%	-.%	-2.5%	
<i>Performance Objective</i>		-2.5%	-12.1%	5.4%	-.%	6.8%	
<i>Value Added</i>		3.1%	-9.0%	-4.1%	-.%	-3.5%	



External Manager Performance Review (continued)

Domestic Equity – MDP ⁷⁴

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic MDP	1.0	1.5%	-9.0%	5.8%	9.6%	3.5%	12/00
Total Domestic MDP II	0.5	0.6%	-11.0%	-.%	-.%	-6.0%	3/07
Total Domestic MDP Ventures	0.0	0.0%	11.2%	155.1%	100.3%	58.4%	3/01
Denali Advisors (MDP)	0.1	-2.2%	-16.5%	4.3%	10.6%	4.8%	6/01
<i>Custom Benchmark</i>		-5.4%	-17.9%	4.3%	9.5%	4.9%	
<i>Value Added</i>		3.2%	1.4%	0.0%	1.1%	-0.1%	
<i>Performance Objective</i>		-4.9%	-15.9%	6.3%	11.5%	6.9%	
<i>Value Added</i>		2.7%	-0.6%	-2.0%	-0.9%	-2.1%	
Piedmont (MDP II)	0.2	-2.0%	-13.8%	-.%	-.%	-6.7%	3/07
<i>Custom Benchmark</i>		-2.7%	-13.3%	-.%	-.%	-6.2%	
<i>Value Added</i>		0.7%	-0.5%	-.%	-.%	-0.5%	
<i>Performance Objective</i>		-2.5%	-12.3%	-.%	-.%	-5.2%	
<i>Value Added</i>		0.5%	-1.5%	-.%	-.%	-1.5%	
Quotient Small Core (MDP II)	0.0	-1.6%	-.%	-.%	-.%	-1.6%	3/08
<i>Custom Benchmark</i>		0.7%	-.%	-.%	-.%	0.7%	
<i>Value Added</i>		-2.3%	-.%	-.%	-.%	-2.3%	
Quotient Large Core (MDP II)	0.1	-2.2%	-.%	-.%	-.%	-2.2%	3/08
<i>Custom Benchmark</i>		-1.9%	-.%	-.%	-.%	-1.9%	
<i>Value Added</i>		-0.3%	-.%	-.%	-.%	-0.3%	

⁷⁴The MDP managers are listed by style elsewhere in this appendix.



External Manager Performance Review (continued)

Domestic Equity – MDP ⁷⁴

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic MDP	1.0	1.5%	-9.0%	5.8%	9.6%	3.5%	12/00
Total Domestic MDP II	0.5	0.6%	-11.0%	-.%	-.%	-6.0%	3/07
Total Domestic MDP Ventures	0.0	0.0%	11.2%	155.1%	100.3%	58.4%	3/01
Redwood Large Growth (MDP II)	0.2	5.3%	-.%	-.%	-.%	5.3%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		4.0%	-.%	-.%	-.%	4.0%	
Rigel - Large Growth (MDP)	0.2	1.5%	0.5%	7.1%	-.%	7.9%	12/03
<i>Custom Benchmark</i>		1.3%	-6.0%	5.9%	-.%	4.9%	
<i>Value Added</i>		0.2%	6.5%	1.2%	-.%	3.0%	
<i>Performance Objective</i>		1.8%	-4.0%	7.9%	-.%	6.9%	
<i>Value Added</i>		-0.3%	4.5%	-0.8%	-.%	1.0%	
Shenandoah (MDP)	0.2	4.9%	-9.5%	6.6%	12.6%	8.6%	3/01
<i>Custom Benchmark</i>		2.7%	-11.1%	6.2%	11.8%	9.0%	
<i>Value Added</i>		2.2%	1.6%	0.4%	0.8%	-0.4%	
<i>Performance Objective</i>		3.2%	-9.1%	8.2%	13.8%	11.0%	
<i>Value Added</i>		1.7%	-0.4%	-1.6%	-1.2%	-2.4%	
Smith Asset Large Cap (MDP)	0.2	0.4%	-10.0%	7.4%	-.%	8.4%	
<i>Custom Benchmark</i>		-2.7%	-13.3%	-5.3%	-.%	5.1%	
<i>Value Added</i>		3.1%	3.3%	12.7%	-.%	3.3%	
<i>Performance Objective</i>		-2.2%	-11.3%	-3.3%	-.%	7.1%	
<i>Value Added</i>		2.6%	1.3%	10.7%	-.%	1.3%	
Smith Asset Small Cap (MDP)	0.1	5.6%	-14.2%	3.9%	-.%	7.9%	12/03
<i>Custom Benchmark</i>		1.4%	-14.2%	5.3%	-.%	6.9%	
<i>Value Added</i>		4.2%	0.0%	-1.4%	-.%	1.0%	
<i>Performance Objective</i>		2.0%	-11.7%	7.8%	-.%	9.4%	
<i>Value Added</i>		3.6%	-2.5%	0.0%	-.%	-1.5%	
Stux (MDP)	0.3	0.0%	-9.6%	6.2%	-.%	6.3%	3/04
<i>Custom Benchmark</i>		-1.9%	-12.5%	4.9%	-.%	5.6%	
<i>Value Added</i>		1.9%	2.9%	1.3%	-.%	0.7%	
<i>Performance Objective</i>		-1.5%	-11.0%	6.4%	-.%	7.1%	
<i>Value Added</i>		1.5%	1.4%	-0.2%	-.%	-0.8%	

⁷⁴ The MDP managers are listed by style elsewhere in this appendix.



External Manager Performance Review (continued)

Domestic Equity – FOF

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
FIS Fund of Funds	0.2	1.7%	-.%	-.%	-.%	1.7%	3/08
Ah Lisanti Small Cap Growth	0.0	7.1%	-.%	-.%	-.%	7.1%	3/08
<i>Custom Benchmark</i>		4.5%	-.%	-.%	-.%	4.5%	
<i>Value Added</i>		2.6%	-.%	-.%	-.%	2.6%	
Atlanta Large Value	0.0	2.2%	-.%	-.%	-.%	2.2%	3/08
<i>Custom Benchmark</i>		-5.4%	-.%	-.%	-.%	-5.4%	
<i>Value Added</i>		7.6%	-.%	-.%	-.%	7.6%	
Paradigm Alpha Max Large Value	0.0	-3.7%	-.%	-.%	-.%	-3.7%	3/08
<i>Custom Benchmark</i>		-5.4%	-.%	-.%	-.%	-5.4%	
<i>Value Added</i>		1.7%	-.%	-.%	-.%	1.7%	
Moody Aldrich All Cap Value	0.0	-1.6%	-.%	-.%	-.%	-1.6%	3/08
<i>Custom Benchmark</i>		-5.2%	-.%	-.%	-.%	-5.2%	
<i>Value Added</i>		3.6%	-.%	-.%	-.%	3.6%	
Mastrapasqua Large Growth	0.0	5.0%	-.%	-.%	-.%	5.0%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		3.7%	-.%	-.%	-.%	3.7%	
Profit Small Cap Core	0.0	-0.9%	-.%	-.%	-.%	-0.9%	3/08
<i>Custom Benchmark</i>		0.7%	-.%	-.%	-.%	0.7%	
<i>Value Added</i>		-1.6%	-.%	-.%	-.%	-1.6%	
Oakbrook Large Cap Core	0.0	-0.6%	-.%	-.%	-.%	-0.6%	3/08
<i>Custom Benchmark</i>		-1.9%	-.%	-.%	-.%	-1.9%	
<i>Value Added</i>		1.3%	-.%	-.%	-.%	1.3%	
Oakbrook Mid Cap Core	0.0	4.2%	-.%	-.%	-.%	4.2%	3/08
<i>Custom Benchmark</i>		2.7%	-.%	-.%	-.%	2.7%	
<i>Value Added</i>		1.5%	-.%	-.%	-.%	1.5%	
DSM Large Growth	0.0	5.6%	-.%	-.%	-.%	5.6%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		4.3%	-.%	-.%	-.%	4.3%	
Rushmore Large Growth	0.0	0.3%	-.%	-.%	-.%	0.3%	3/08
<i>Custom Benchmark</i>		1.3%	-.%	-.%	-.%	1.3%	
<i>Value Added</i>		-1.0%	-.%	-.%	-.%	-1.0%	



External Manager Performance Review (continued)

Domestic Equity – FOF

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Leading Edge Fund of Funds	0.2	5.6%	-.-%	-.-%	-.-%	5.6%	3/08
Logan Large Growth	0.0	1.9%	-.-%	-.-%	-.-%	1.9%	3/08
<i>Custom Benchmark</i>		1.3%	-.-%	-.-%	-.-%	1.3%	
<i>Value Added</i>		0.6%	-.-%	-.-%	-.-%	0.6%	
Markston Large Core	0.0	1.8%	-.-%	-.-%	-.-%	1.8%	3/08
<i>Custom Benchmark</i>		-2.7%	-.-%	-.-%	-.-%	-2.7%	
<i>Value Added</i>		4.5%	-.-%	-.-%	-.-%	4.5%	
Mondshare Small Growth	0.0	12.4%	-.-%	-.-%	-.-%	12.4%	3/08
<i>Custom Benchmark</i>		4.5%	-.-%	-.-%	-.-%	4.5%	
<i>Value Added</i>		7.9%	-.-%	-.-%	-.-%	7.9%	
Redwood Large Growth-LEIA	0.0	4.6%	-.-%	-.-%	-.-%	4.6%	3/08
<i>Custom Benchmark</i>		1.3%	-.-%	-.-%	-.-%	1.3%	
<i>Value Added</i>		3.3%	-.-%	-.-%	-.-%	3.3%	
Cupps Small Growth	0.0	9.0%	-.-%	-.-%	-.-%	9.0%	3/08
<i>Custom Benchmark</i>		4.5%	-.-%	-.-%	-.-%	4.5%	
<i>Value Added</i>		4.5%	-.-%	-.-%	-.-%	4.5%	
Phocas Small Value	0.0	-2.1%	-.-%	-.-%	-.-%	-2.1%	3/08
<i>Custom Benchmark</i>		-3.4%	-.-%	-.-%	-.-%	-3.4%	
<i>Value Added</i>		1.3%	-.-%	-.-%	-.-%	1.3%	
Credo Mid Growth	0.0	11.4%	-.-%	-.-%	-.-%	11.4%	3/08
<i>Custom Benchmark</i>		4.7%	-.-%	-.-%	-.-%	4.7%	
<i>Value Added</i>		6.7%	-.-%	-.-%	-.-%	6.7%	



External Manager Performance Review (continued)

Domestic Equity – Corporate Governance

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept</u>	<u>Date</u>
Total Domestic Corporate Governance	2.2	0.3%	-20.7%	0.4%	11.5%	15.6%	12/98
Blum Strategic Partners III	0.1	-5.6%	-32.0%	-.%	-.%	-3.6%	9/05
<i>Custom Benchmark</i>		1.9%	8.0%	-.%	-.%	8.0%	
<i>Value Added</i>		-7.5%	-40.0%	-.%	-.%	-11.6%	
Blum Strategic Partners II	0.0	-6.4%	-22.2%	-.%	-.%	-22.2%	6/07
<i>Custom Benchmark</i>		1.9%	8.0%	-.%	-.%	8.0%	
<i>Value Added</i>		-8.3%	-30.2%	-.%	-.%	-30.2%	
Blum Strategic Partners IV	0.1	-12.1%	-.%	-.%	-.%	-34.2%	12/07
<i>Custom Benchmark</i>		1.9%	-.%	-.%	-.%	4.0%	
<i>Value Added</i>		-10.2%	-.%	-.%	-.%	-30.2%	
Breeden Partners	0.5	3.2%	-9.0%	-.%	-.%	4.6%	6/06
<i>Custom Benchmark</i>		-2.7%	-13.1%	-.%	-.%	2.4%	
<i>Value Added</i>		5.9%	4.1%	-.%	-.%	2.2%	
New Mountain Capital	0.2	9.5%	-4.8%	-.%	-.%	3.4%	12/05
<i>Custom Benchmark</i>		-2.7%	-13.1%	-.%	-.%	3.0%	
<i>Value Added</i>		12.2%	8.3%	-.%	-.%	0.4%	
Internal New Mountain Capital	0.2	21.0%	28.8%	-.%	-.%	28.1%	12/06
<i>Custom Benchmark</i>		-2.7%	-13.1%	-.%	-.%	-4.8%	
<i>Value Added</i>		23.7%	41.9%	-.%	-.%	32.9%	
Relational Investors	0.7	-0.2%	-28.7%	-3.1%	8.9%	14.0%	12/98
<i>Custom Benchmark</i>		-2.7%	-13.1%	4.4%	7.6%	2.1%	
<i>Value Added</i>		2.5%	-15.6%	-7.5%	1.3%	11.9%	
Internal Relational	0.2	-9.7%	-19.6%	3.4%	17.3%	16.9%	12/02
<i>Custom Benchmark</i>		-2.7%	-13.1%	4.3%	8.1%	9.1%	
<i>Value Added</i>		-7.0%	-6.5%	-0.9%	9.2%	7.8%	
Shamrock Partners	0.1	-2.4%	-26.3%	-2.7%	-.%	-0.8%	3/05
<i>Custom Benchmark</i>		0.6%	-16.2%	3.8%	-.%	4.9%	
<i>Value Added</i>		-3.0%	-10.1%	-6.5%	-.%	-5.7%	

RM ARS–Fund of Funds

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Total RM ARS Program	7.6	1.8%	-1.5%	8.5%	8.7%
47 Degrees North Capital Fund of Emerging Funds	0.2	2.6%	-1.9%	-.%	-.%
Ermitage European Fund of Funds	0.1	1.2%	-0.7%	-.%	-.%
Europanel European Fund of Funds	0.2	3.4%	3.8%	-.%	-.%
KBC Asian Fund of Funds	0.2	-1.2%	-3.5%	-.%	-.%
PAAMCO Fund of Emerging Funds	0.2	5.3%	-.%	-.%	-.%
Rock Creek fund of Emerging Funds	0.1	4.4%	-.%	-.%	-.%
SPARX Asian Fund of Funds	0.1	-1.5%	1.8%	-.%	-.%
UBS European Fund of Funds	0.2	-1.3%	-8.7%	-.%	-.%
Vision Asian Fund of Funds	0.2	-1.1%	5.6%	-.%	-.%



External Manager Performance Review (continued)

Domestic Equity – Environmental

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Environmental	0.3	1.7%	-9.4%	3.9%	-.%	4.6%	3/05
AXA Rosenberg	0.1	3.4%	-8.7%	-.%	-.%	2.8%	3/06
<i>Custom Benchmark</i>		-1.9%	-12.5%	-.%	-.%	1.5%	
<i>Value Added</i>		5.3%	3.8%	-.%	-.%	1.3%	
<i>Performance Objective</i>		-1.4%	-10.5%	-.%	-.%	3.5%	
<i>Value Added</i>		4.8%	1.8%	-.%	-.%	-0.7%	
New Amsterdam Partners	0.1	1.4%	-6.3%	-.%	-.%	2.1%	3/06
<i>Custom Benchmark</i>		-1.9%	-12.5%	-.%	-.%	1.5%	
<i>Value Added</i>		3.3%	6.2%	-.%	-.%	0.6%	
<i>Performance Objective</i>		-1.5%	-11.0%	-.%	-.%	3.0%	
<i>Value Added</i>		2.9%	4.7%	-.%	-.%	-0.9%	
SSgA Environmental	0.1	-0.9%	-13.6%	-.%	-.%	1.7%	6/06
<i>Custom Benchmark</i>		-2.7%	-13.3%	-.%	-.%	2.2%	
<i>Value Added</i>		1.8%	-0.3%	-.%	-.%	-0.5%	



External Manager Performance Review (continued)

International Equity – Core ACWI

Int'l Active Mainstream	Market Value 7.6	Qtr 0.0%	1 Year -7.4%	3 Year 16.0%	5 Year 18.5%	Incept. 7.8%	Date 6/89
Int'l External Core							
Acadian Asset Management	1.0	-1.4%	-10.2%	-.%	-.%	11.7%	12/05
<i>Custom Benchmark</i>		-1.3%	-6.6%	-.%	-.%	12.3%	
<i>Value Added</i>		-0.1%	-3.6%	-.%	-.%	-0.6%	
<i>Performance Objective</i>		-0.8%	-4.6%	-.%	-.%	14.3%	
<i>Value Added</i>		-0.6%	-5.6%	-.%	-.%	-2.6%	
Arrowstreet (Mainstream)	1.0	2.7%	-5.1%	18.1%	21.0%	23.3%	3/03
<i>Custom Benchmark</i>		-1.3%	-6.6%	15.9%	19.1%	22.2%	
<i>Value Added</i>		4.0%	1.5%	2.2%	1.9%	1.1%	
<i>Performance Objective</i>		-0.8%	-4.6%	17.9%	21.1%	24.2%	
<i>Value Added</i>		3.5%	-0.5%	0.2%	-0.1%	-0.9%	
Arrowstreet (MDP)	0.2	3.4%	-5.3%	17.9%	21.0%	8.6%	6/00
<i>Custom Benchmark</i>		-1.3%	-6.6%	15.9%	19.1%	6.0%	
<i>Value Added</i>		4.7%	1.3%	2.0%	1.9%	2.6%	
<i>Performance Objective</i>		-0.8%	-4.6%	17.9%	21.1%	8.0%	
<i>Value Added</i>		4.2%	-0.7%	0.0%	-0.1%	0.6%	
AQR Capital Management	0.5	1.1%	-10.2%	-.%	-.%	9.7%	12/05
<i>Custom Benchmark</i>		-1.4%	-8.5%	-.%	-.%	10.9%	
<i>Value Added</i>		2.5%	-1.7%	-.%	-.%	-1.2%	
<i>Performance Objective</i>		-0.9%	-6.5%	-.%	-.%	12.9%	
<i>Value Added</i>		2.0%	-3.7%	-.%	-.%	-3.2%	
Fidelity	0.5	0.4%	-.%	-.%	-.%	-.%	3/08
<i>Custom Benchmark</i>		-1.4%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
QMA International	0.5	-1.6%	-11.5%	-.%	-.%	7.7%	3/06
<i>Custom Benchmark</i>		-1.4%	-8.5%	-.%	-.%	-0.6%	
<i>Value Added</i>		-0.2%	-3.0%	-.%	-.%	8.3%	
<i>Performance Objective</i>		-1.2%	-7.5%	-.%	-.%	0.4%	
<i>Value Added</i>		-0.4%	-4.0%	-.%	-.%	7.3%	



External Manager Performance Review (continued)

International Equity – Core Europe

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Active Mainstream	7.6	0.0%	-7.4%	16.0%	18.5%	7.8%	6/89
Int'l External Core Europe							
AXA Rosenberg	0.8	-1.1%	-10.0%	16.0%	19.2%	11.1%	3/01
Custom Benchmark		-4.0%	-10.7%	14.2%	17.6%	9.6%	
Value Added		2.9%	0.7%	1.8%	1.6%	1.5%	
Performance Objective		-3.5%	-8.7%	16.2%	19.6%	11.6%	
Value Added		2.4%	-1.3%	-0.2%	-0.4%	-0.5%	

International Equity – Environmental

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Environmental	0.2	-0.4%	-10.0%	-.-%	-.-%	7.9%	3/06
Int'l Environmental							
Brandywine	0.1	-1.8%	-13.1%	-.-%	-.-%	5.3%	6/06
Custom Benchmark		-1.4%	-8.5%	-.-%	-.-%	8.3%	
Value Added		-0.4%	-4.6%	-.-%	-.-%	-3.0%	
Performance Objective		-0.9%	-6.5%	-.-%	-.-%	10.3%	
Value Added		-0.9%	-6.6%	-.-%	-.-%	-5.0%	
SSgA Environmental	0.1	0.6%	-8.0%	-.-%	-.-%	10.3%	3/06
Custom Benchmark		-1.4%	-8.5%	-.-%	-.-%	7.7%	
Value Added		2.0%	0.5%	-.-%	-.-%	2.6%	
Performance Objective		-0.9%	-6.5%	-.-%	-.-%	9.7%	
Value Added		1.5%	-1.5%	-.-%	-.-%	0.6%	



External Manager Performance Review (continued)

International Equity – Growth & Value

Int'l Active Mainstream	Market Value 7.6	Qtr 0.0%	1 Year -7.4%	3 Year 16.0%	5 Year 18.5%	Incept. 7.8%	Date 6/89
Int'l External Growth							
Alliance Large Cap Growth	0.7	3.6%	-0.4%	-.%	-.%	12.9%	9/05
<i>Custom Benchmark</i>		-1.3%	-6.6%	-.%	-.%	12.8%	
<i>Value Added</i>		4.9%	6.2%	-.%	-.%	0.1%	
<i>Performance Objective</i>		-0.8%	-4.6%	-.%	-.%	14.9%	
<i>Value Added</i>		4.4%	4.2%	-.%	-.%	-2.0%	
Baillie Gifford	1.1	2.9%	2.1%	21.8%	22.4%	13.1%	6/01
<i>Custom Benchmark</i>		-1.3%	-6.6%	15.9%	19.1%	11.1%	
<i>Value Added</i>		4.2%	8.7%	5.9%	3.3%	2.0%	
<i>Performance Objective</i>		-0.8%	-4.6%	17.9%	21.1%	13.1%	
<i>Value Added</i>		3.7%	6.7%	3.9%	1.3%	0.0%	
New Star Institutional Managers	0.7	-0.2%	-8.1%	-.%	-.%	10.9%	9/05
<i>Custom Benchmark</i>		-1.3%	-6.6%	-.%	-.%	12.9%	
<i>Value Added</i>		1.1%	-1.5%	-.%	-.%	-2.0%	
<i>Performance Objective</i>		-0.8%	-4.6%	-.%	-.%	14.9%	
<i>Value Added</i>		0.6%	-3.5%	-.%	-.%	-4.0%	



External Manager Performance Review (continued)

International Equity – Growth & Value cont'd

Int'l Active Mainstream	Market Value 7.6	Qtr 0.0%	1 Year -7.4%	3 Year 16.0%	5 Year 18.5%	Incept. 7.8%	Date 6/89
Int'l External Value ACWI							
Alliance Strategic Value	0.7	-5.5%	-17.4%	-.-%	-.-%	10.4%	9/05
Custom Benchmark		-1.3%	-6.6%	-.-%	-.-%	12.9%	
Value Added		-4.2%	-10.8%	-.-%	-.-%	-2.5%	
Performance Objective		-0.8%	-4.6%	-.-%	-.-%	14.9%	
Value Added		-4.7%	-12.8%	-.-%	-.-%	-4.5%	
Grantham, Mayo, Van Otterloo	0.7	-1.4%	-9.9%	13.9%	18.0%	12.8%	6/01
Custom Benchmark		-1.3%	-6.6%	15.9%	19.1%	11.1%	
Value Added		-0.1%	-3.3%	-2.0%	-1.1%	1.7%	
Performance Objective		-0.7%	-4.2%	18.3%	21.5%	13.5%	
Value Added		-0.7%	-5.7%	-4.4%	-3.5%	-0.7%	
Pyrford (MDP)	0.1	-3.2%	-6.4%	11.0%	15.2%	10.4%	12/01
Custom Benchmark		-1.4%	-8.5%	14.2%	17.8%	12.4%	
Value Added		-1.8%	2.1%	-3.2%	-2.6%	-2.0%	
Performance Objective		-0.9%	-6.5%	16.2%	19.8%	14.4%	
Value Added		-2.3%	0.1%	-5.2%	-4.6%	-4.0%	
Int'l External Value Pacific							
Nomura	0.5	-1.3%	-7.6%	13.8%	17.8%	5.2%	9/89
Custom Benchmark		-1.7%	-7.8%	13.4%	17.5%	1.4%	
Value Added		0.4%	0.2%	0.4%	0.3%	3.8%	
Performance Objective		-1.2%	-5.8%	15.4%	19.5%	3.4%	
Value Added		-0.1%	-1.8%	-1.6%	-1.7%	1.8%	



External Manager Performance Review (continued)

International Equity – MDP⁷⁵

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Int'l MDP	0.3	1.2%	-6.3%	13.4%	16.2%	4.5%	6/00
Total Int'l MDP Ventures	0.0	0.0%	4.2%	38.7%	39.4%	29.2%	6/00
Arrowstreet (MDP)	0.2	3.4%	-5.3%	17.9%	21.0%	8.6%	6/00
<i>Custom Benchmark</i>		-1.3%	-6.6%	15.9%	19.1%	6.0%	
<i>Value Added</i>		4.7%	1.3%	2.0%	1.9%	2.6%	
<i>Performance Objective</i>		-0.8%	-4.6%	17.9%	21.1%	8.0%	
<i>Value Added</i>		4.2%	-0.7%	0.0%	-0.1%	0.6%	
Pyrford (MDP)	0.1	-3.2%	-6.4%	11.0%	15.2%	10.4%	12/01
<i>Custom Benchmark</i>		-1.4%	-8.5%	14.2%	17.8%	12.4%	
<i>Value Added</i>		-1.8%	2.1%	-3.2%	-2.6%	-2.0%	
<i>Performance Objective</i>		-0.9%	-6.5%	16.2%	19.8%	14.4%	
<i>Value Added</i>		-2.3%	0.1%	-5.2%	-4.6%	-4.0%	

⁷⁵ The MDP managers are also listed by style elsewhere in this appendix.



International Equity – Emerging Markets

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Emerging Markets	5.7	-0.9%	2.1%	25.0%	30.3%	31.2%	9/02
AllianceBernstein	1.3	0.5%	0.0%	24.7%	31.6%	33.6%	9/02
Custom Benchmark		-1.1%	2.5%	26.1%	29.3%	29.9%	
Value Added		1.6%	-2.5%	-1.4%	2.3%	3.7%	
Performance Objective		-0.4%	5.0%	28.6%	31.8%	32.4%	
Value Added		0.9%	-5.0%	-3.9%	-0.2%	1.2%	
Batterymarch	0.6	0.2%	6.0%	-.%	-.%	6.0%	6/07
Custom Benchmark		-1.1%	2.5%	-.%	-.%	2.5%	
Value Added		1.3%	3.5%	-.%	-.%	3.5%	
Performance Objective		-0.6%	4.5%	-.%	-.%	4.5%	
Value Added		-1.1%	2.5%	-.%	-.%	2.5%	
DFA	1.3	-2.6%	0.4%	25.2%	29.7%	31.4%	9/02
Custom Benchmark		-1.1%	2.5%	26.1%	29.3%	29.9%	
Value Added		-1.5%	-2.1%	-0.9%	0.4%	1.5%	
Performance Objective		-0.6%	4.5%	28.1%	31.3%	31.9%	
Value Added		-2.0%	-4.1%	-2.9%	-1.6%	-0.5%	
Genesis	1.4	-1.4%	1.7%	23.4%	28.4%	27.9%	9/02
Custom Benchmark		-1.1%	2.5%	26.1%	29.3%	29.9%	
Value Added		-0.3%	-0.8%	-2.7%	-0.9%	-2.0%	
Performance Objective		-0.4%	5.0%	28.6%	31.8%	32.4%	
Value Added		-1.0%	-3.3%	-5.2%	-3.4%	-4.5%	
Lazard	0.6	-0.1%	-.%	-.%	-.%	-4.4%	9/07
Custom Benchmark		-1.1%	-.%	-.%	-.%	-7.3%	
Value Added		1.0%	-.%	-.%	-.%	2.9%	
Performance Objective		-0.6%	-.%	-.%	-.%	-5.8%	
Value Added		0.5%	-.%	-.%	-.%	1.4%	
Pictet	0.6	-1.2%	4.4%	-.%	-.%	4.4%	6/07
Custom Benchmark		-1.1%	2.5%	-.%	-.%	2.5%	
Value Added		-0.1%	1.9%	-.%	-.%	1.9%	
Performance Objective		-0.6%	4.5%	-.%	-.%	4.5%	
Value Added		-0.6%	-0.1%	-.%	-.%	-0.1%	



External Manager Performance Review (continued)

International Equity – Corporate Governance

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Date</u>
Total Int'l Corporate Governance	2.8	-1.3%	-20.9%	8.0%	14.5%	12/98
Governance for Owners	0.3	-8.0%	-27.5%	-.%	-.%	12/06
<i>Custom Benchmark</i>		-3.3%	-9.6%	-.%	-.%	
<i>Value Added</i>		-4.7%	-17.9%	-.%	-.%	
Internal Governance for Owners	0.1	-9.5%	-.%	-.%	-.%	9/07
<i>Custom Benchmark</i>		-3.3%	-.%	-.%	-.%	
<i>Value Added</i>		-6.2%	-.%	-.%	-.%	
Hermes UK Focus	0.3	-4.6%	-30.8%	2.8%	10.1%	12/99
<i>Custom Benchmark</i>		-1.2%	-13.4%	11.2%	15.7%	
<i>Value Added</i>		-3.4%	-17.4%	-8.4%	-5.6%	
Hermes Europe Focus	0.2	-4.4%	-17.8%	16.7%	-.%	9/03
<i>Custom Benchmark</i>		-5.1%	-9.6%	16.5%	-.%	
<i>Value Added</i>		0.7%	-8.2%	0.2%	-.%	
Hermes U.K. Small Cap	0.0	-3.2%	-.%	-.%	-.%	12/07
<i>Custom Benchmark</i>		-7.0%	-.%	-.%	-.%	
<i>Value Added</i>		3.8%	-.%	-.%	-.%	
Knight Vinke	0.2	-0.6%	-1.3%	23.5%	-.%	12/03
<i>Custom Benchmark</i>		-3.3%	-9.6%	15.2%	-.%	
<i>Value Added</i>		2.7%	8.3%	8.3%	-.%	
Knight Vinke Internal Partners	0.2	11.3%	7.2%	-.%	-.%	3/06
<i>Custom Benchmark</i>		-3.3%	-9.6%	-.%	-.%	
<i>Value Added</i>		14.6%	16.8%	-.%	-.%	
Lazard Korea Corp Gov Fund	0.1	-.%	-.%	-.%	-.%	3/08
<i>Custom Benchmark</i>		-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	
SPARX Value Creation	0.2	-3.8%	-43.7%	-10.7%	5.4%	3/03
<i>Custom Benchmark</i>		8.8%	-25.6%	3.9%	8.3%	
<i>Value Added</i>		-12.6%	-18.1%	-14.6%	-2.9%	
Taiyo Fund	0.7	1.0%	-10.9%	12.5%	-.%	9/03
<i>Custom Benchmark</i>		8.8%	-25.6%	3.9%	-.%	
<i>Value Added</i>		-7.8%	14.7%	8.6%	-.%	
Taiyo Cypress	0.2	-.%	-.%	-.%	-.%	3/08
<i>Custom Benchmark</i>		-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	
Taiyo Pearl Fund	0.2	1.1%	-.%	-.%	-.%	12/07
<i>Custom Benchmark</i>		0.0%	-.%	-.%	-.%	
<i>Value Added</i>		1.1%	-.%	-.%	-.%	



External Manager Performance Review (continued)

Fixed Income – High Yield

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	59.1	-1.5%	7.7%	4.4%	5.2%	6.4%
<i>Fixed Income Policy Index</i>		-1.5%	8.8%	3.9%	4.5%	6.2%
External High Yield	1.1	2.6%	-8.3%	5.3%	8.6%	-.-%
Highland Capital Distressed Fund	0.0	22.8%	6.0%	18.0%	22.7%	-.-%
<i>Custom Benchmark</i>		2.1%	-1.4%	4.5%	6.2%	-.-%
<i>Value Added</i>		20.7%	7.4%	13.5%	16.5%	-.-%
Highland CLN	0.6	2.7%	-.-%	-.-%	-.-%	-.-%
<i>Custom Benchmark</i>		2.1%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		0.6%	-.-%	-.-%	-.-%	-.-%
Nomura	0.3	3.0%	-4.5%	4.5%	7.0%	-.-%
<i>Custom Benchmark</i>		2.1%	-1.4%	4.5%	6.7%	-.-%
<i>Value Added</i>		0.9%	-3.1%	0.0%	0.3%	-.-%
PIMCO	0.3	1.8%	-1.5%	4.8%	6.9%	-.-%
<i>Custom Benchmark</i>		2.1%	-1.4%	4.5%	6.7%	-.-%
<i>Value Added</i>		-0.3%	-0.1%	0.3%	0.2%	-.-%

Fixed Income – MDP

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
DF Manager Development	0.2	-1.5%	7.1%	4.4%	4.3%	-.-%
LM Capital	0.2	-1.5%	7.1%	4.4%	4.1%	-.-%
<i>Custom Benchmark</i>		-1.2%	7.8%	4.3%	4.0%	-.-%
<i>Value Added</i>		-0.3%	-0.7%	0.1%	0.1%	-.-%
<i>Performance Objective</i>		-0.9%	8.8%	5.3%	5.0%	-.-%
<i>Value Added</i>		-0.6%	-1.7%	-0.9%	-0.9%	-.-%



External Manager Performance Review (continued)
Fixed Income – External International

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	59.1	-1.5%	7.7%	4.4%	5.2%	6.4%
<i>Fixed Income Policy Index</i>		-1.5%	8.8%	3.9%	4.5%	6.2%
International Fixed Income	4.9	-4.4%	17.6%	6.3%	7.0%	6.1%
Alliance Bernstein	1.3	-3.5%	16.5%	-.%	-.%	-.%
<i>Custom Benchmark</i>		-4.7%	17.5%	-.%	-.%	-.%
<i>Value Added</i>		1.2%	-1.0%	-.%	-.%	-.%
<i>Performance Objective</i>		-4.3%	19.0%	-.%	-.%	-.%
<i>Value Added</i>		0.8%	-2.5%	-.%	-.%	-.%
Baring	0.1	-4.4%	18.6%	6.1%	6.8%	5.6%
<i>Custom Benchmark</i>		-4.7%	17.5%	6.5%	7.0%	6.6%
<i>Value Added</i>		0.3%	1.1%	-0.4%	-0.2%	-1.0%
<i>Performance Objective</i>		-4.3%	19.0%	8.0%	8.5%	8.1%
<i>Value Added</i>		-0.1%	-0.4%	-1.9%	-1.7%	-2.5%
Brandywine	0.2	0.1%	14.3%	-.%	-.%	-.%
<i>Custom Benchmark</i>		-4.7%	17.5%	-.%	-.%	-.%
<i>Value Added</i>		4.8%	-3.2%	-.%	-.%	-.%
<i>Performance Objective</i>		-4.3%	19.0%	-.%	-.%	-.%
<i>Value Added</i>		4.4%	-4.7%	-.%	-.%	-.%
Mondrian	0.9	-5.6%	20.8%	-.%	-.%	-.%
<i>Custom Benchmark</i>		-4.7%	17.5%	-.%	-.%	-.%
<i>Value Added</i>		-0.9%	3.3%	-.%	-.%	-.%
<i>Performance Objective</i>		-4.3%	19.0%	-.%	-.%	-.%
<i>Value Added</i>		-1.3%	1.8%	-.%	-.%	-.%
PIMCO	1.2	-5.1%	16.9%	-.%	-.%	-.%
<i>Custom Benchmark</i>		-4.7%	17.5%	-.%	-.%	-.%
<i>Value Added</i>		-0.4%	-0.6%	-.%	-.%	-.%
<i>Performance Objective</i>		-4.3%	19.0%	-.%	-.%	-.%
<i>Value Added</i>		-0.8%	-2.1%	-.%	-.%	-.%
Rogge	1.2	-5.2%	19.9%	7.3%	7.7%	-.%
<i>Custom Benchmark</i>		-4.7%	17.5%	6.5%	7.0%	-.%
<i>Value Added</i>		-0.5%	2.4%	0.8%	0.7%	-.%
<i>Performance Objective</i>		-4.3%	19.0%	8.0%	8.5%	
<i>Value Added</i>		-0.9%	0.9%	-0.7%	-0.8%	



External Manager Performance Review (continued)
Fixed Income - Special Investments

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Special Investments	0.9	-0.5%	7.0%	5.1%	4.5%	5.5%
Equitable CCMF	0.0	2.2%	8.4%	9.1%	8.5%	8.0%
MHLP-BRS	0.7	-0.4%	6.6%	5.0%	4.5%	-.-%
U.L.L.I. Co.	0.0	1.6%	8.6%	12.0%	9.4%	9.4%



External Manager Performance Review (continued)

Real Estate

Non-Core Public REITS	Market Value 1.9	Qtr -9.0%	1 Year -22.5%	3 Year 6.4%	5 Year 16.0%	Incept. 13.7%	Date 3/02
Adelante Capital Domestic Press	0.2	-5.0%	-24.7%	-.-%	-.-%	-21.5%	12/06
Custom Benchmark		-5.4%	-15.4%	-.-%	-.-%	-19.2%	
Value Added		0.4%	-9.3%	-.-%	-.-%	-2.3%	
Citigroup Intl PREES	0.1	-9.5%	-24.8%	-.-%	-.-%	-16.5%	12/06
Custom Benchmark		-10.4%	-22.5%	-.-%	-.-%	-13.5%	
Value Added		0.9%	-2.3%	-.-%	-.-%	-3.0%	
Morgan Stanley Intl PREES	0.2	-10.3%	-22.8%	-.-%	-.-%	-13.5%	12/06
Custom Benchmark		-10.4%	-22.5%	-.-%	-.-%	-13.5%	
Value Added		0.1%	-0.3%	-.-%	-.-%	0.0%	
European Intl PREES	0.1	-12.8%	-30.9%	-.-%	-.-%	-19.8%	12/06
Custom Benchmark		-10.4%	-22.5%	-.-%	-.-%	-13.5%	
Value Added		-2.4%	-8.4%	-.-%	-.-%	-6.3%	
Intl Asset Allocation REIT	0.5	-10.4%	-22.3%	-.-%	-.-%	2.2%	3/06
Custom Benchmark		-10.4%	-22.5%	-.-%	-.-%	1.9%	
Value Added		0.0%	0.2%	-.-%	-.-%	0.3%	
RREEF Intl PREES	0.2	-9.7%	-25.1%	-.-%	-.-%	-15.2%	12/06
Custom Benchmark		-10.4%	-22.5%	-.-%	-.-%	-13.5%	
Value Added		0.7%	-2.6%	-.-%	-.-%	-1.7%	
PRESIMA, Inc.	0.2	-12.3%	-29.3%	-.-%	-.-%	-19.3%	12/06
Custom Benchmark		-10.4%	-22.5%	-.-%	-.-%	-13.5%	
Value Added		-1.9%	-6.8%	-.-%	-.-%	-5.8%	
PREES Extended Market	0.5	-5.6%	-14.7%	5.2%	15.3%	13.0%	3/02
Custom Benchmark		-5.6%	-14.9%	4.8%	15.0%	13.0%	
Value Added		0.0%	0.2%	-.-%	-.-%	0.0%	



Manager Monitoring

Wilshire will rigorously monitor each of CalPERS' externally-managed investment managers and provide quarterly updates and issues in the Executive Summary.

Domestic Equity

Alliance Bernstein

- The manager has underperformed its benchmark for all time periods with the exception of the since inception period. The manager had had unrewarded stock selection. Wilshire will continue to monitor the manger.

Pzena

- The manager has underperformed its benchmark for all time periods with the exception of the since inception period. The manager had had unrewarded sector selection. Wilshire will continue to monitor the manger.

Shamrock

- The manager has underperformed its benchmark for all time periods. This is a very concentrated portfolio which Wilshire monitors each quarter. Additionally, a key personnel departure recently occurred. Wilshire will continue to monitor the manager closely.

Int'l Equity

Genesis

- This emerging market manager lags its benchmark for all time periods. The manager has had poor stock selection. Wilshire will continue to monitor the manager especially since the emerging markets policy was recently changed.

Grantham Mayo

- The manager has lagged its benchmark for all periods with the exception of the since inception period. The manager has had poor sector and country selection. Wilshire will continue to monitor the manager.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors

Second Quarter 2008

Investment Type: U.S. Corporate Governance Fund

Inception Date: March 1996

Capital Commitment: \$1 billion

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 58.5 million	\$3,259.0 million
Distributed Capital:	\$194.6 million	\$3,069.4 million

Market Value (6/30/08): \$ 706.3 million

Investment Strategy:

Relational Investors employs a corporate governance strategy aimed at unlocking intrinsic value in underperforming, publicly traded, U.S. companies. When compared to the broader market and industry peers, these companies typically exhibit inferior performance in one or more of the following areas: operations, financial structure, long-term strategy, corporate governance policies or management. Each investment represents a significant percentage of a particular company's outstanding shares, generally 3-10%. Relational Investors then seeks to maximize investment value by initiating contact with the company's management, board of directors and other shareholders to facilitate change.

Summary Analysis:

Number of Investments: 9

1. The only significant organizational change was the hiring of a team of five individuals from Credit Suisse's Buy-Side Insights Group. The team adds depth and expertise to the investment screening process and modeling, as well as providing support in the engagement of portfolio companies. Two senior members of the five Credit Suisse team, Glenn Welling and Todd Leigh, hold equity in Relational. In addition to the Credit Suisse team, Relational hired four new associate analysts to replace three departing members: Alan Chhay (Senior Analyst), Karen Haas (Project Analyst), and Michael Moone (Associate Analyst).
2. On July 3, 2008, Relational launched a new offering that focuses on the middle market companies (market capitalizations of \$1 - \$8 billion). Relational has been successful in this space in the past but targeted larger companies as assets have grown. CalPERS made a \$300 million investment in this fund, an additional \$300 million from another client is in documentation. Additional reporting/analysis on the Mid-Cap fund will begin next quarter.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors

Second Quarter 2008

Performance Analysis:

Relational's performance led during the quarter as the portfolio outperformed the S&P 500 Index. Relational's efforts, especially with Prudential, have paid off as they exited that successful strategy with a significant gain. Additionally, Baxter has achieved their turnaround goals allowing Relational to reap the gains, while National Semiconductor, Sovereign, Unum, and Capital One are all prime targets for consolidation/acquisition. Relational has invested in two undisclosed companies this quarter (both of which are technology companies with capital allocation issues) and continue to seek out other attractive opportunities. Wilshire will continue to monitor and provide updates on the fund.

Calendar Year Performance (%)									
As of 6/30/2008									
	YTD	2007	2006	2005	2004	2003	2002	2001	2000
Relational	-11.94	-10.01	9.29	9.89	16.49	40.77	0.55	7.89	73.70
Custom S&P 500	-11.92	5.54	15.81	4.89	10.87	28.69	-22.12	-11.88	-9.12
Excess Return	-0.02	-15.55	-6.52	5.00	5.62	12.08	22.67	19.77	82.82

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Hermes U.K. Focus

Second Quarter 2008

Investment Type: U.K. Corporate Governance Fund

Inception Date: November 1999

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 199.9 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 310.2 million

Investment Strategy:

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, U.K. companies. For companies that meet their initial purchase criteria, HFAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HFAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE 250 futures.

Summary Analysis:

Number of Investments: 12

Organization: The two current separate limited companies (Hermes Focus Asset Management Limited and Hermes Focus Asset Management Europe Limited) will become a single new Partnership – Hermes Focus Asset Management LLP (“the LLP”). Stephan Howaldt and Wouter Rosingh will be the Managing Partners and together with Paul Harrison will lead the LLP, which they expect will include 14 of the most experienced Focus Fund professionals as equity partners.

Team member or role changes for the UK Focus Fund is listed as follow:

- John Leach, CEO, HFAM, will lead the UKFF transition.
- Nigel Davies, Director, UK Small Companies Focus Fund, will work with John to oversee the transition. Nigel will be a Partner in the new Focus Fund Partnership, working on the UK Small/Mid Cap Focus Fund.
- Leon Kamhi, Director, UK Focus Fund, will take up a position in the Pan-European Focus Fund team after the UKFF transition is completed.
- Mark Sherlock, Associate Director, UKFF and Jimmy Tillotson, Manager, UKFF, will likely assume investment roles within either the Pan European or the UK Small/Mid Cap Focus Funds.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Hermes U.K. Focus

Second Quarter 2008

In addition to the role changes, some departures took place during the 2Q: Mike Weston has left the business to pursue other interests. Mark Hersee has resigned and will be joining a Private Equity fund in the autumn. Tim Bush will leave the business at the end of August.

Philosophy/Process: No material changes.

Performance Analysis:

The UK Focus Fund underperformed by -3.3% over the quarter. The negative macro sentiment is reflected in UK equity markets by the very poor performance of the banking and house-building sectors, and worries over the financial health of UK consumers which has depressed shares in companies dependent on discretionary consumer expenditure. Galiform has suffered particularly badly as sentiment towards the UK housing market has deteriorated, despite delivering robust trading performance. This single stock was the major contributor to fund underperformance, yet HFAM believe it is a good quality business, with an experienced management team. Elsewhere in the portfolio, the other consumer exposed companies (Rank and Luminar) also underperformed, as did UBM and Signet which suffered from exposure to the weakening dollar.

Calendar Year Performance (%)								
As of 6/30/2008								
	YTD	2007	2006	2005	2004	2003	2002	2001
Hermes U.K.	-17.31	-9.37	43.99	0.58	17.72	66.65	-25.72	-6.57
FTSE All Share	-10.79	5.32	16.75	13.94	21.02	34.39	-14.47	-15.52
Excess Return	-6.52	-14.69	27.24	-13.36	-3.30	32.26	-11.25	8.95

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Hermes Europe Focus

Second Quarter 2008

Investment Type: European Corporate Governance Fund

Inception Date: August 2003

Capital Commitment: \$100 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 100.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 242.9 million

Investment Strategy:

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, European ex-U.K. companies. For companies that meet their initial purchase criteria, HFAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HFAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE Europe ex-U.K. futures.

Summary Analysis:

Number of Investments: 17

Organization: The two current separate limited companies (Hermes Focus Asset Management Limited and Hermes Focus Asset Management Europe Limited) will become a single new Partnership – Hermes Focus Asset Management LLP (“the LLP”). Stephan Howaldt and Wouter Rosingh will be the Managing Partners and together with Paul Harrison will lead the LLP, which they expect will include 14 of the most experienced Focus Fund professionals as equity partners.

These changes would result in the investment universe of the existing UK Large Cap Focus Fund being amalgamated into either the Pan-European Fund or the new single UK Fund. All UK Large Cap Focus Fund clients will be given the option to transfer their investment to either the Pan-European Fund or the single UK Fund or to both. The amalgamation of the UK Large Cap Focus Fund into the single UK Fund and Pan-European Fund will be overseen by John Leach and Nigel Davies along with other members of the current UK Large Cap Focus Fund team. As a consequence, selected UK Large Cap Focus Fund team members will transition to take up roles within other areas of the new LLP whilst others will leave the business.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Hermes Europe Focus

Second Quarter 2008

Performance Analysis:

The European Focus Fund outperformed the benchmark in the second quarter of 2008 by approximately 0.7%. ASMI, AP-Möller, Freenet, CSM and Alcatel-Lucent contributed positively in relative terms while Eniro, M-Real, Océ and Aareal Bank underperformed the benchmark. During the quarter the fund sold a position in M-Real B. The European Focus Fund's annualized 3 year performance returned to positive territory and now leads by 0.2%

Calendar Year Performance (%)					
As of 6/30/2008					
	YTD	2007	2006	2005	2004
Hermes Europe	-14.82	12.65	48.49	17.08	32.89
FTSE Europe ex-U.K.	-12.27	17.70	36.95	10.95	22.07
Excess Return	-2.55	-5.05	11.54	6.13	10.82

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Hermes UK Small Companies Focus Fund
Second Quarter 2008

Investment Type: U.K. Corporate Governance Fund

Inception Date: October 2008

Capital Commitment: \$60 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 59.9 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 43.6 million

Investment Strategy:

HFAM's strategy is to add value by investing in smaller UK companies that have a significant gap between the current trading price of the company versus its actual value if it were managed properly. HFAM seeks to narrow this value gap by improving the corporate governance, Board members and senior management, capital structure, and overall strategy of these underperforming companies. The Fund expects to have a concentrated portfolio of 12 to 20 companies, with a goal out-performing the FTSE Small Cap (ex-Investment Trusts) Total Return Index by 5% on a three year rolling basis.

Summary Analysis:

Number of Investments: 14

Organization: The UKSC team remains largely unaffected by the recent organizational changes although they are still looking to add one additional investment professional to round out the team.

Philosophy/Process: No material changes.

Performance Analysis:

The UK Small Companies Focus Fund II outperformed its benchmark by 4.0% in the 2nd quarter. Portfolio activity during the quarter was again significant. nCipher received a number of bid approaches which remain ongoing; Anite received a bid approach from a private equity buyer which was subsequently withdrawn; Wincanton made a tentative approach to buy fellow logistics company TDG which, following extensive engagement with the company, they decided to walk away. Given the economic background, company results and trading updates have been good in aggregate. Anite, however, produced a mixed trading update, with strength in Public Sector and Travel, which was more than offset by weakness in the Telecom handsets business. The remaining position in London Scottish Bank was sold as Hermes felt there was little value in the existing equity given the necessary scale of the refinancing.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Hermes UK Small Companies Focus Fund
Second Quarter 2008

Performance Analysis (Continued):

Calendar Year Performance (%) As of 6/30/2008		
	YTD	2007
Hermes UK Small Co. Focus	-16.32	-12.19
FTSE Small Cap ex-Inv. Trusts	-18.05	-13.85
Excess Return	1.73	1.66

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pacific Partners/WL Ross

Second Quarter 2008

Investment Type: Japanese Corporate Governance Fund

Inception Date: July 2003

Capital Commitment: \$500 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 502.5 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 727.0 million

Investment Strategy:

Taiyo Pacific Partners/WL Ross believe that public equity investors in Japan can be rewarded with superior returns by investing in companies that will implement corporate governance improvements. The investment strategy has two elements. First, identify undervalued stocks utilizing Taiyo's asset value and earnings potential analysis. Second, create valuation improvements by means of a three-phase corporate governance strategy. The three phases are: improving transparency and disclosure, improving corporate profitability, and improving shareholder value. Taiyo proposes to use its own proprietary database to identify target companies. Once identification is made, Taiyo's strategy is to be a constructive shareholder with those companies willing to make corporate governance improvements.

Summary Analysis:

Number of Investments: 16

Organization: Steve Gray, who has worked with CFO Marianne Winkler in Operations, left. His responsibilities have been picked up by John Salinas. In addition, three Associates left during the quarter for personal reasons. Taiyo has tapped its intern pool and hired two new Associates to fill the void. Taiyo also brought in Deborah Horwith as Controller. The Taiyo Fund received \$20 million investment from an existing investor. In April, Taiyo launched the Cypress Fund, a new corporate governance fund with large-cap focus, and has received more than \$200 million commitments so far.

Philosophy/Process: No material changes.

Performance Analysis:

The Taiyo Fund generated a time-weighted return of 1.01% for the quarter, trailing the TOPIX, which reported a gain of 8.95%. Measured on an IRR basis, the Fund's return for the same period was 9.01%. Strong absolute returns from the fund's top holdings, including industrial company Nissha Printing, precision gear manufacturer Nabtesco Corp, and positioning/optical equipment maker TOPCON, were the main performance contributors for this period.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Taiyo Pacific Partners/WL Ross
Second Quarter 2008

Performance Analysis (Continued):

Calendar Year Performance (%)					
As of 6/30/2008					
	YTD	2007	2006	2005	2004
Taiyo	-2.35	-3.91	9.08	56.46	27.03
Topix Index	-10.54	-12.22	1.90	44.29	11.23
Excess Return	8.19	8.31	7.18	12.17	15.80

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pearl Fund/WL Ross

Second Quarter 2008

Investment Type: Japanese Corporate Governance Fund

Inception Date: October 2007

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 200.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 189.9 million

Investment Strategy:

TPF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant out performance for shareholders. TPF will utilize a friendly relational approach in working with Japanese companies in both public and private equity space to create and/or unlock value. TPF will focus on companies with a market cap of \$50 ~ \$500million. The investment approach will include 1) activist investing in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities), 2) active investing in attractive public companies (where they will not take a controlling stake holding less than 5%) and 3) active investing in private companies. Taiyo is seeking to achieve a 15% to 20% annualized return on an absolute basis. The portfolio will average about 30 stocks at a time and several private equity transactions.

Summary Analysis:

Number of Investments: 17

Organization: Steve Gray, who has worked with CFO Marianne Winkler in Operations, left. His responsibilities have been picked up by John Salinas. In addition, three Associates left during the quarter for personal reasons. Taiyo has tapped its intern pool and hired two new Associates to fill the void. Taiyo also brought in Deborah Horwith as Controller. The Pearl Fund is in the process of negotiating for several large potential commitments, including \$50 million from a Danish pension fund. In April, Taiyo launched the Cypress Fund, a new corporate governance fund with large-cap focus, and received more than \$200 million commitments so far.

Philosophy/Process: No material changes.

Performance Analysis:

The Pearl Fund generated a return of 1.11%, outperforming its stated objective, Absolute Return of 0%, but trailed the TOPIX, which gained 8.83%. The fund performance recovered from first quarter with most of its top holdings rebounded (mushroom grower "Jar", value-added electronic reseller Macnica and infrastructure reinforcement Sho-Bond) and compensated for the weak results reported by the financial and electronics manufacturing investments.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Taiyo Pearl Fund/WL Ross
Second Quarter 2008

Performance Analysis (Continued):

Calendar Year Performance (%) As of 6/30/2008	
	YTD
Taiyo Pearl Fund	-10.37
Absolute Return of 0%	0.00
Excess Return	-10.37

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Cypress Fund/WL Ross

Second Quarter 2008

Investment Type: Japanese Corporate Governance Fund

Inception Date: April 2008

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 200.0 million	\$ 200.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 187.7 million

Investment Strategy:

Investment Strategy: TCF sees considerable un-tapped value in the Japanese stock market. TCF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant outperformance for shareholders. TCF will utilize a friendly relational approach in working with Japanese companies focused on opportunities in both the public and private equity space to create and/or unlock value. TCF will focus on companies with a market cap greater than ¥220 billion. The investment approach will include 1) activist investment in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities) and 2) active investment in private companies. The portfolio is expected to hold 8-10 publicly traded companies representing no less than 65% of the portfolio, with the remainder of the portfolio to be comprised of private equity.

Summary Analysis:

Number of Investments: 12

Organization: Steve Gray, who has worked with CFO Marianne Winkler in Operations, left. His responsibilities have been picked up by John Salinas. In addition, three Associates left during the quarter for personal reasons. Taiyo has tapped its intern pool and hired two new Associates to fill the void. Taiyo also brought in Deborah Horwith as Controller. The Pearl Fund is in the process of negotiating for several large potential commitments, including \$50 million from a Danish pension fund. Taiyo launched the Cypress Fund, a new corporate governance fund with large-cap focus, in April and has received more than \$200 million commitments so far.

Philosophy/Process: No material changes.

Performance Analysis:

The Cypress Fund was launched in April and does not yet have a full-quarter performance to report. Taiyo does anticipate Cypress Fund's initial engagement periods to be slightly longer as its target investments are larger cap companies. Wilshire will continue to monitor and receive updates from Taiyo regarding its progress on building out the Cypress Fund.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Knight Vinke
Second Quarter 2008

Investment Type: European Corporate Governance Fund

Inception Date: September 2003

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 27.5 million	\$ 576.0 million
Distributed Capital:	\$ 0.0 million	\$ 481.3 million

Market Value (6/30/08): \$ 233.3 million

Investment Strategy:

Knight Vinke believes that in the absence of effective corporate governance and a truly independent board, the separation of ownership and management can create the opportunity for management to act in its own self interest rather than that of the shareholders. The strategy looks to identify underperforming stocks of companies that are fundamentally strong where redress of the underperformance is possible in a reasonable amount of time. The firm believes that detailed fundamental analysis can identify underperforming companies that have strong operating businesses, but are in need of a corporate finance solution to a factor or factors that specifically is depressing the share price. To identify such companies the firm uses several sources: its own screening process through market information services such as Bloomberg, their own industry knowledge, outside brokers, other institutional shareholders, other corporations, industry manager who may have recently retired, or corporate finance professionals.

Summary Analysis:

Number of Investments: 7

Organization: The KV SSP Fund raised a total of €19.2 million during the quarter ended April 2008. The offshore fund had one investor reduce its investment by €2 million following the ratification of an amendment allowing higher levels of concentration for risk management purposes.

Per a review of the Corporate Governance program, Wilshire hosted Knight Vinke onsite to refresh and go over their unique take on corporate governance investing. The two most senior investment professionals, Mr. Knight and Mr. Suarez, were present to go over in detail their investment philosophy and each investment individually.

Philosophy/Process: No material changes.

Performance Analysis:

KV outperformed the market during the 2nd quarter with an IRR return of -0.37% versus -5.51% for the index, in USD. While the last twelve months have been challenging for many corporate governance managers, KV has provided some protection vs. the benchmark as they have outperformed by 854 basis points. Since inception performance continues to be strong with KV returning 20.89% vs. 10.63% for the index

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**
Knight Vinke
Second Quarter 2008

Performance Analysis (Continued):

Calendar Year Performance (%)					
As of 6/30/2008					
	YTD	2007	2006	2005	2004
Knight Vinke	-0.84	7.42	51.12	28.08	24.73
FTSE All World Europe	-11.56	15.47	35.15	10.81	21.51
Excess Return	10.72	-8.05	15.97	17.27	3.22

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Shamrock Capital
Second Quarter 2008

Investment Type: U.S. Corporate Governance Fund

Inception Date: December 2004

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 181.5 million
Distributed Capital:	\$ 8.0 million	\$ 40.8 million

Market Value (6/30/08): \$ 117.9 million

Investment Strategy:

Shamrock believes that combining a deep value investment orientation with an activist shareholder approach founded upon best governance practices, results in superior returns for long-term investors. They seek to find underperforming but fundamentally sound businesses, where they can substantially improve shareholder value with their application of good governance practice. They choose to look at companies they can purchase at a significant discount (<40%) to the underlying value and find free cash flow available to owners that typically exceed 10%. Once these criteria are met, Shamrock will only invest if they believe they can persuade the Board and/or management to believe in their activist strategy to make fundamental changes to the governance structure and business. After investing, persistence and careful monitoring is the key to unlocking value.

Summary Analysis:

Number of Investments: 12

Organization: Shamrock announced that Dennis Johnson, formerly employed by CalPERS, would replace Mike McConnell who left for personal reasons. In addition, Shamrock hired a few of its summer interns.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through June 30, 2008, Shamrock's time-weighted performance has trailed its benchmark and performance for the recent quarter was significantly below the benchmark. For the second quarter, Shamrock's performance was hindered by a few of its holdings: iPass, Coinstar, Jackson Hewitt, and Reddy Ice. Jackson's performance was hurt by weaker than expected same-store sales during the recent tax season and Shamrock signed a non-disclosure in order to strategize for the 2008-2009 tax season; Reddy Ice was a target of an on-going Department of Justice investigation which is looking at the packaged ice industry and consumer fraud suits have started to be filed; iPass continues to have disappointing financial numbers; and Coinstar was hurt by weakness in its coin counting business.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Shamrock Capital
Second Quarter 2008**

Performance Analysis (Continued):

Calendar Year Performance (%)			
As of 6/30/2008			
	YTD	2007	2006
Shamrock	-16.82	-9.39	1.49
Russell 2000	-9.37	-1.57	18.35
Excess Return	-7.45	-7.82	-16.86

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners III
Second Quarter 2008

Investment Type: U.S. Corporate Governance Fund

Inception Date: July 2005

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.6 million	\$ 122.9 million
Distributed Capital:	\$ 0.0 million	\$ 31.2 million

Market Value (6/30/08): \$ 131.5 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 21

Organization: Fund-raising activities for Fund IV is on-going. Two hires were announced during the second quarter: Paige Reeve Uher joined as Vice President and Manager of Investor Relations, and Bregg Bordes joined as an Associate.

Philosophy/Process: No material changes.

Performance Analysis:

The Strategic Partners Fund III returned -5.5% for the 2Q and underperformed its benchmark, 8% Absolute Return. Primary performance detractors included Washington Mutual, CB Richard Ellis Group, Avid Technology and Kinetic Concepts. Mortgage and housing driven economic concerns led to a selloff in Washington Mutual and CB Richard Ellis Group's stocks. In Blum's view, however, these companies boast fundamentally sound operations with no real governance concerns and Blum expects them to be able to weather the storm as the economic condition and investor sentiments gradually improve. On the other hand, uncertain growth outlook and product planning hurt investor confidence and resulted in the poor stock performance of Avid Technology and Kinetic Concepts. Blum continues to believe in the underlying value of these businesses and is working closely with each management team to ensure properly executed future capital expenditure and product introduction.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners III
Second Quarter 2008

Performance Analysis (Continued):

Calendar Year Performance (%)			
As of 6/30/2008			
	YTD	2007	2006
Blum III	-23.86	3.92	9.46
8% Absolute Return	3.92	8.00	8.00
Excess Return	-27.78	-4.08	1.46

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners IV
Second Quarter 2008

Investment Type: U.S. Corporate Governance Fund

Inception Date: November 2008

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 72.7 million	\$ 188.6 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 140.9 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 13

Organization: Fund-raising activities for Fund IV is on-going. Two hires were announced during the second quarter: Paige Reeve Uher joined as Vice President and Manager of Investor Relations, and Bregg Bordes joined as an Associate.

Philosophy/Process: No material changes.

Performance Analysis:

The Strategic Partners Fund IV returned -12.1% for the second quarter of 2008. Similar attribution from Fund III can also be applied to the Strategic Partners Fund IV's performance, as poor results from Washington Mutual, CB Richard Ellis, and Avid Technology weighted on fund return. However, given the young age of the fund (barely 6 months into its initial funding) and continued high volatility in the equity market, the exaggerated J-curve effect is not entirely unexpected. Wilshire will continue to monitor Blum's progress as Fund IV carries out more capital deployment in building out its portfolio.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners IV
Second Quarter 2008

Performance Analysis (Continued):

Calendar Year Performance (%)	
As of 6/30/2008	
	YTD
Blum IV	-34.17
8% Absolute Return	3.92
Excess Return	-38.09

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

New Mountain Vantage

Second Quarter 2008

Investment Type: U.S. Corporate Governance Fund

Inception Date: January 2006

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 200.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 217.7 million

Investment Strategy:

New Mountain's strategy is to proactively identify deeply undervalued companies through intensive research and then to unlock the value of these companies by working with management to improve the businesses for the benefit of all shareholders. New Mountain will pursue this value-added strategy for the many situations where a negotiated purchase of control of a public company is not available, but where New Mountain can acquire public shares in the open market and use its style of active ownership to increase the value of the firm's stock. They begin with a "Top-Down" approach, looking at sectors that have stable demands with high growth potentials. They seek companies where barriers to new entry are high, companies have pricing power, and where free cash flow generation characteristics are strong.

Summary Analysis:

Number of Investments: 16

Organization: Two new analysts were hired. One is a senior analyst who had a very successful journalism run.

Philosophy/Process: No material changes.

Performance Analysis:

New Mountain outperformed against its index, the S&P 500, for the quarter as the majority of its stocks outperformed. New Mountain still spent the majority of its time and resources on National Fuel as it is now on the board and looking to create shareholder value. New Mountain's thesis is on-track for National Fuel and the company's stock price increased during the quarter. New Mountain sold off CACI on valuation and recognized a sizeable gain.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
New Mountain Vantage
Second Quarter 2008

Performance Analysis (Continued):

Calendar Year Performance (%)			
As of 6/30/2008			
	YTD	2007	2006
New Moutain	3.9	-2.05	
S&P 500	-11.91	5.49	
Excess Return	<i>15.81</i>	<i>-7.54</i>	<i>N.A</i>

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Breeden Partners
Second Quarter 2008

Investment Type: U.S. Corporate Governance Fund

Inception Date: June 2006

Capital Commitment: \$500 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 9.5 million	\$ 617.4 million
Distributed Capital:	\$ 0.0 million	\$ 123.5 million

Market Value (6/30/08): \$ 504.3 million

Investment Strategy:

Breeden's philosophy is to invest in US companies that are experiencing underperformance and diminished valuation due to correctable problem in policy and governance. The Fund will target mid-to-large-cap companies ranging from \$500 million to \$10 billion in market capitalization. The portfolio will be concentrated and will typically hold 8 to 12 positions. The objective of the Fund is to outperform the S&P 500 Index by 10% over the long-term.

Summary Analysis:

Number of Investments: 9

Organization: Breeden had no change in personnel during the quarter.

Breeden is in the process of launching a European fund by the 4th quarter, starting off with \$300 - \$400 million, and \$500 million by the next year.

Philosophy/Process: No material changes.

Performance Analysis:

The manager will continue to look for attractive opportunities and build out the portfolio, especially after the exit from Acco. Wilshire will continue to monitor the portfolio activities. Breeden has made notable progress in their strategies – Alexander & Baldwin and Steris are growing at a steady clip, H&R Block has sold off its mortgage business and made a public statement to sell off the brokerage business, Helmerich & Payne is a home run, Hillenbrand followed Breeden's advice and spun off the two different divisions, and Zale is on the right path with huge growth in online sales.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Breeden Partners
Second Quarter 2008

Performance Analysis (continued):

Calendar Year Performance (%)			
As of 6/30/2008			
	YTD	2007	2006
Breeden Partners	4.2	-4.28	
S&P 500	-11.91	5.49	
Excess Return	<i>16.11</i>	-9.77	<i>N.A</i>

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Governance for Owners

Second Quarter 2008

Investment Type: European Corporate Governance Fund

Inception Date: October 2006

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 300.1 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 261.2 million

Investment Strategy:

GO's philosophy is to invest in fundamentally sound quoted companies in Europe where shares are trading at a discount due to correctable management or strategic issues. GO has a performance objective of five percentage points over the return of the FTSE Developed Europe Total Return Index on an annualized basis. The fund is expected to have 10 to 15 equity positions when it is fully invested with futures used to equitize any meaningful cash balances.

Summary Analysis:

Number of Investments: 9

Organization: Helene Jelman, a former CIO at Arlington Capital Investors who joined GO as an Investment Director in January, 2008, left during the second quarter, as she could not cope with the reduced decision making authority. Victor Mandel, who has worked with GO as a consultant since the end of 2007, became a full time member of the investment team.

Philosophy/Process: No material changes.

Performance Analysis:

The fund significantly under-performed the European market for the 2nd quarter with a return of -7.45% versus -3.26% for the FTSE All World Europe Index. This brought the since inception performance to -18.56% versus -9.39% for the index. The value bias inherent in corporate governance investing continued to impact the portfolio, much like the 1st quarter. The fund's focus on small and mid cap stocks also detracted from performance as large cap stocks in Europe held up much better during this period

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Governance for Owners
Second Quarter 2008

Performance Analysis (Continued):

Calendar Year Performance (%)		
As of 6/30/2008		
	YTD	2007
Governance for Owners	-17.47	7.06
FTSE All World Europe	-11.56	15.47
Excess Return	-5.91	-8.41

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Lazard Korea Corporate Governance Fund
Second Quarter 2008

Investment Type: Korean Corporate Governance Fund

Inception Date: May 2008

Capital Commitment: \$100 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 100.0 million	\$ 100.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (6/30/08): \$ 98.4 million

Investment Strategy:

The Fund's strategy is to add value by investing in small and mid-sized Korean companies that are undervalued with significant room to improve governance principles and practices. The Fund has a unique and exclusive relationship with the Center for Good Corporate Governance (CGCG), whereby the CGCG provides strategic advice regarding the engagement of a targeted company. Notably, the Fund will pursue its objective through a collaborative discussion between company management, the Fund and other shareholders, rather than a confrontational approach. The Fund feels that the Korean market is particularly well-suited to a corporate governance approach to investing as many companies have poor governance practices and the country trades at a discount to other similar markets as a result.

Summary Analysis:

Number of Investments: 17

Organization: The fund received \$100 million from CalPERS during the second quarter and will continue its fund-raising activities. There are six members on the investment team and Lazard believes current staff level is sufficient for it to carry out its investment strategy.

Philosophy/Process: No material changes.

Performance Analysis:

The Korea Corporate Governance Fund performed well in June relative to its stated benchmark, the KOSPI (-2.0% vs. -11.2%), and is rapidly deploying the \$100 million CalPERS committed during the second quarter. The fund is keenly aware of the cultural differences and exercises patience when engaging its target portfolio companies as not to be perceived hostile. While the current equity market condition in Korea is challenging since part of its economy growth relies on industrial and high tech exports, which have been adversely impacted by a global economic slowdown, Lazard's cautious approach should help it better implement its corporate governance initiatives and create value for the fund. Wilshire will continue to monitor the fund's progress.